

**Grand Rapids, Michigan** 

# Comprehensive Annual Financial Report

Year Ended June 30, 2008

### **Comprehensive Annual Financial Report**

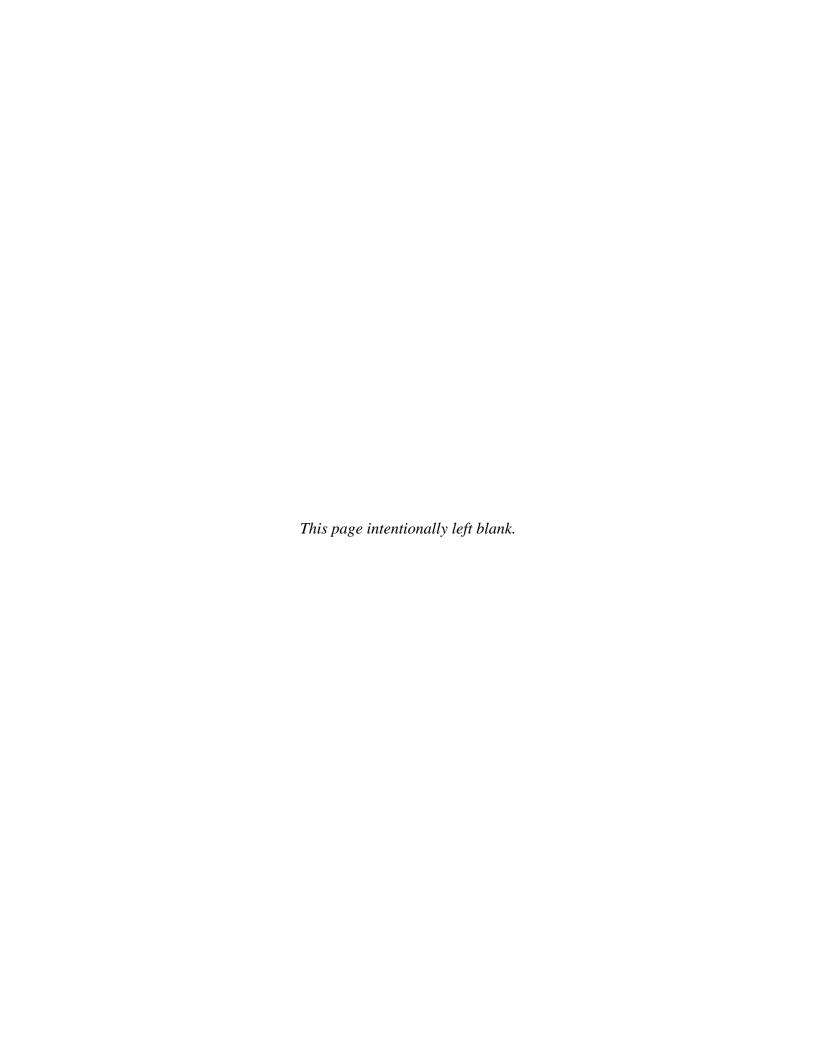
Year Ended June 30, 2008

Prepared by:

**Forest Hills Public Schools** 

**Business Office** 

Timothy A. Raymer, Assistant Superintendent for Finance and Operations Dennis Baine, Comptroller



#### **Table of Contents**

#### **Introductory Section**

Table of Contents	i-iii
Letter of Transmittal	v-vii
Elected Officials and Administrative Staff	ix
Organizational Structure	xi
Certificate of Excellence in Financial Reporting	xiii
Financial Section	
Independent Auditors' Report	1-3
Management's Discussion and Analysis	5-12
Basic Financial Statements	
District-Wide Financial Statements	
Statement of Net Assets	17
Statement of Activities	19
Fund Financial Statements	
Governmental Funds	
Balance Sheet	22-23
Reconciliation of Fund Balances of Governmental Funds to Net	
Assets on the Statement of Net Assets	25
Statement of Revenues, Expenditures and Changes in Fund Balances	26-27
Reconciliation of the Statement of Revenues, Expenditures and	
Changes in Fund Balances of Governmental Funds to the Statement	
of Activities	28
Statement of Revenues, Expenditures and Changes in Fund Balances -	
Budget to Actual - General Fund	29
Fiduciary Funds	
Statement of Fiduciary Assets and Liabilities	30
Notes to the Financial Statements	31-47

#### **Table of Contents**

Combining, Individual Fund Financial Statements and Schedules	
General Fund:	
Schedule of Revenues and Other Financing Sources - Budget to Actual	52-53
Schedule of Expenditures and Other Financing Use - Budget to Actual	54-55
Nonmajor Governmental Funds:	
Combining Balance Sheet	60-61
Combining Statement of Revenues, Expenditures and	
Changes in Fund Balances	62-63
Schedule of Revenues, Expenditures and Changes in Fund Balances -	
Budget to Actual - Special Revenue Funds	64-65
Agency Fund:	
Statement of Changes in Assets and Liabilities - Student Activity Fund	69
Capital Assets:	
Schedule of Changes in Capital Assets	73-77
Schedules of Debt Service Requirements:	
1999 Refunding Bonds	81
2000 Building and Site Bonds	82
2002 Refunding Bonds	83
2004 Building and Site Bonds	84-85
2005 Refunding Bonds	86-87
2007 Building and Site Bonds	88-89

#### **Table of Contents**

#### **Statistical Section (unaudited)**

Net Assets by Component, Last Six Fiscal Years	92-93
Expenses, Program Revenues and Net (Expense) Revenue,	
Last Six Fiscal Years	94-95
General Revenues and Total Change in Net Assets, Last Six Fiscal Years	96-97
Fund Balances, Governmental Funds, Last Ten Fiscal Years	98-99
Governmental Funds Revenues, Last Ten Fiscal Years	100-101
Governmental Funds Expenditures and Debt Service Ratio,	
Last Ten Fiscal Years	102-103
Other Financing Sources (Uses) and Net Change in Fund Balances,	
Governmental Funds, Last Ten Fiscal Years	104-105
Taxable Value and Actual Value of Taxable Property,	
Last Ten Fiscal Years	106-107
Direct and Overlapping Property Tax Rates, Last Ten Fiscal Years	108-109
Principal Property Taxpayers, Current Year and Nine Years Ago	111
Property Tax Levies and Collections, Last Ten Fiscal Years	112
Outstanding Debt by Type, Last Ten Fiscal Years	113
Direct and Overlapping Governmental Activities Debt	114
Legal Debt Margin Information, Last Ten Fiscal Years	115
Demographic and Economic Statistics, Last Ten Calendar Years	116
Principal Employers in West Michigan, Current Year and 2005	117
Full-Time-Equivalent District Employees by Type, Last Nine Fiscal Years	118
Operating Statistics, Last Ten Fiscal Years	119
School Building Information	120-121



### FOREST HILLS PUBLIC SCHOOLS

6590 Cascade Road, SE ♦ Grand Rapids, MI 49546 ♦ (616) 493-8800 ♦ Fax (616) 493-8560

September 15, 2008

The Board of Education Forest Hills Public Schools 6590 Cascade Road Grand Rapids, Michigan 49546-6497

Dear Board Members and the Citizens of Forest Hills Public Schools:

This letter of transmittal provides an overview of the financial position of Forest Hills Public Schools (District) from the perspective of the Superintendent and the Assistant Superintendent for Finance and Operations. It serves as an introduction to our Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2008. The CAFR is divided into three sections: introductory section, financial section and statistical section. The introductory section includes the District's organizational chart, a list of principal officials and this letter of transmittal. The financial section contains the independent auditors' unqualified opinion letter and the Management's Discussion and Analysis report. The Management Discussion and Analysis report provides a more detailed analysis of the financial condition of the District and should be read in conjunction with this. The District's basic financial statements, fund financial statements and supplemental information are also contained in this section. The statistical section includes selected financial, demographic and general information, generally presented on a multi-year basis.

The District's Business Office has prepared this report with responsibility for the accuracy, fairness and completeness of the presentation, including all disclosures, resting with the District. We believe the information is accurate in all material respects, is presented in a manner designed to fairly show the financial position and results of operations of the District, and includes all disclosures necessary to enable the reader to gain an understanding of the District's financial affairs.

#### The District

Forest Hills Public Schools is a suburban school district, located in Kent County and adjacent to the Cities of Grand Rapids and East Grand Rapids. The District covers approximately 68 square miles and includes major portions of Ada, Cascade, and Grand Rapids Townships, plus fractions of Cannon Township and the Cities of Kentwood and Grand Rapids. The District was formed in 1956 from a consolidation of 12 small K-6 and K-8 school districts. It is a fiscally independent school district governed by a seven member elected Board of Education.

There are five K-4 elementary schools, three K-6 elementary schools, three 5-6 schools, three 7-8 middle schools, three 9-12 high schools, one 9-12 alternative high school and various other support buildings.

#### Student Services Provided and Major Initiatives

Forest Hills Public Schools provides its students a comprehensive program of public education from the home delivery of services for Pre-Primary Impaired students as early as age 2 through twelfth grade. The District has a broad-based curriculum designed to meet the individual needs of all students including regular daytime, gifted and talented, at-risk, special needs and alternative education pupils. All students have exposure to current technology integrated across curriculum and access to comprehensive media centers. Students also have the opportunity to participate in a Spanish Immersion program from preschool through ninth grade, as well as a Chinese Immersion Kindergarten program which started this year. A magnet environmental education program is also available to eligible fifth and sixth grade students. In addition, the District offers a dual enrollment program whereby qualifying high school students may attend local colleges and universities, receiving both high school and college credit. The District's education program includes a wide array of special education services for all eligible students. There are numerous opportunities for students to participate in extracurricular activities including music, drama, fine arts, intramural and interscholastic sports, clubs, and many other special interest activities.

#### Accounting Systems, Budgetary Control and Annual Audit

The District adheres to budgetary policies and procedures established by the Board of Education, including specific guidelines in the development and review of the budget. The District utilizes a detailed line item budget initially developed through input from staff, various principals, directors and supervisors, then reviewed and analyzed by the Assistant Superintendent for Finance and Operations and the Superintendent, and finally submitted to the Board of Education for approval and adoption. This budget process is designed to effectively allocate resources to maximize student benefit.

The District integrates the budget with the accounting system and internal controls. We have designed the internal controls to provide reasonable, but not absolute, assurance for the safeguarding of assets against loss from unauthorized use, and for maintaining accountability of the assets. These controls also provide assurance on the reliability of the financial records necessary for producing financial statements. We believe our budgetary and internal controls adequately safeguard District assets, and provide reasonable assurance that errors or fraud that could be material to the financial statements are prevented or would be detected within a timely period.

The District is required to have an annual audit performed of District financial statements. The financial statements are the responsibility of the management of the District and the auditors are expressing an opinion on the statements. There is no scope limitation.

#### Cash and Risk Management

The District maintains a prudent cash management and investment program. The policy and procedures are designed to maximize interest earnings on available cash balances with minimal principal investment risk. The District's investments may include uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent and not in the District's name.

The District is a member of the West Michigan Risk Management Trust (Trust), which is a self-insurance pool of area school districts designed to insure property, liability and vehicle exposure.

The Trust purchases excess insurance to cover its members from claims exceeding an agreed upon ceiling.

The District is also a member of the West Michigan Workers' Compensation Fund, which is a self-insurance pool of area school districts designed to insure workers' compensation and employers' liability exposures. The West Michigan Workers' Compensation Fund purchases excess insurance to cover its members from claims exceeding an agreed upon ceiling.

#### Economic Environment

Michigan voters approved the state constitutional amendment known as Proposal A in the spring of 1994. Funding of District operations shifted dramatically from local property tax revenue to State Aid as a result of this amendment. Voter approval of the District's 1995, 2000, 2004 and 2007 bond issues have provided additional funding for essential capital projects.

Technology improvements include the replacement and upgrade of a District-wide network, new or upgraded computer labs in schools, and the purchase of equipment necessary to keep the instruction program current with evolving technology.

#### Certificate of Excellence

The District has earned the Association of School Business Officials Certificate of Excellence for the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2007. This achievement is a great source of pride for both the School Administration and the Board of Education, whose support is a necessity for maintaining such high standards for financial reporting.

While a Certificate of Excellence is valid for a period of one year only, the District believes our current report continues to conform to program standards and we are submitting our report to ASBO to determine its eligibility for another certificate.

#### In Appreciation

We would like to express appreciation to a highly dedicated Board of Education that has adopted sound policies and programs designed to continue the District's growth, and quality improvement during an era of significant changes and challenges.

Respectfully submitted,

Famil Blum

Daniel Behm Superintendent Timothy A. Raymer, CPA Assistant Superintendent for Finance and Operations

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#### Elected Officials and Administrative Staff

#### 2007-2008 Board of Education

President James Fahner

Vice-President Douglas Josephson

Secretary Mary Vonck

Treasurer Walter Perschbacher III

Trustee Maureen Fischer

Trustee Lynn Buchanan

Trustee Douglas VanderLaan

#### 2007-2008 Administrative Staff

Superintendent Daniel Behm

Assistant Superintendent for Finance and Operations

Timothy Raymer

Assistant Superintendent of Instruction Linda Schmitt Vander Jagt

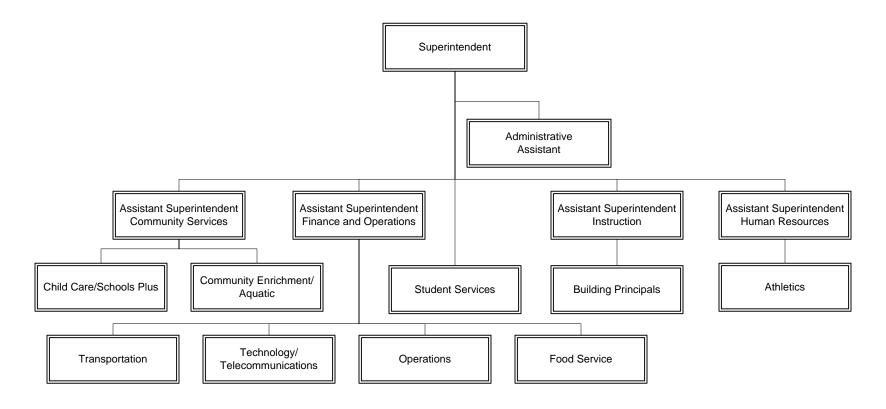
Assistant Superintendent for Human Resources Anne M. Edsenga

Assistant Superintendent for Community Services Karen Lott



#### SUPERINTENDENT'S OFFICE

Organizational Structure







This Certificate of Excellence in Financial Reporting

is presented to

### Forest Hills Public Schools



For its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2007
upon recommendation of the Association's Panel of Review
which has judged that the Report substantially conforms
to principles and standards of ASBO's Certificate of Excellence Program

Fresident & Brendel

John D. Musso

Executive Director



99 Monroe Avenue N.W., Suite 800 Grand Rapids, Michigan 49503-2654 Telephone: (616) 774-7000 Fax: (616) 776-3680

#### **Independent Auditors' Report**

Board of Education Forest Hills Public Schools Grand Rapids, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Forest Hills Public Schools (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements. These financial statements are the responsibility of the management of the District. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Forest Hills Public Schools at June 30, 2008 and the respective changes in financial position and budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 5, 2008, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining, individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of Forest Hills Public Schools. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Grand Rapids, Michigan

BDO Serdman, LLP

September 5, 2008

# Forest Hills Public Schools Management's Discussion and Analysis For Fiscal Year Ended June 30, 2008

As management of Forest Hills Public Schools (the District), we offer this narrative overview and analysis of the financial activities of Forest Hills Public Schools for the year ended June 30, 2008. Generally accepted accounting principles (GAAP) require the reporting of two types of financial statements: the District-Wide Financial Statements and the Fund Financial Statements.

#### **District-Wide Financial Statements**

The district-wide financial statements are prepared using full accrual accounting and more closely represent those presented by business and industry. All of the District's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation, as well as the bonded debt and other long-term liabilities of the District.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets can serve as a barometer of financial health and whether the District's financial position is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the year. This statement focuses on both the gross and net cost of the various activities which are supported by the District's property taxes, state aid and other revenues. This presentation is intended to summarize and simplify the user's analysis of the cost of the various services.

#### **Fund Financial Statements**

The governmental fund financial statements are reported on a modified accrual basis in that only those assets that are measurable and currently available are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's Accounting Manual. In the State of Michigan, school districts' major instruction and instructional support activities are reported in the General Fund. Additional activities are reported in Special Revenue Funds, Debt Service Funds and Capital Project Funds.

In the fund financial statements, capital assets purchased are reported as expenditures in the year of acquisition with no asset being reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. The obligations for future years' debt obligations are not recorded in the fund financial statements.

#### **Summary of Net Assets**

The following schedule summarizes the net assets at June 30, 2008 and June 30, 2007.

	2008	2007
Assets		
Current assets	\$ 79,231,869	\$ 81,929,934
Capital assets Less: accumulated depreciation	295,459,827 (93,914,403)	291,682,851 (85,737,742)
Capital assets, net book value	201,545,424	205,945,109
Total Assets	280,777,293	287,875,043
Liabilities		
Current liabilities Long-term liabilities	14,393,850 220,421,999	16,505,168 230,361,660
Total Liabilities	234,815,849	246,866,828
Net Assets		
Invested in capital assets, net of related debt Restricted for debt service Unrestricted	29,090,440 1,035,270 15,835,734	29,669,201 1,645,932 9,693,082
Total Net Assets	\$ 45,961,444	\$ 41,008,215

#### **Capital Assets and Long-Term Debt**

#### Capital Assets

By the end of the 2007-2008 fiscal year, the District had invested \$295.5 million in a broad range of capital assets, including school buildings and facilities, site improvements, school buses and other vehicles, and various types of equipment. Depreciation expense for the year amounted to approximately \$8.6 million, bringing accumulated depreciation to \$93.9 million as of June 30, 2008.

#### Capital Assets at Year End at June 30 (Net of Depreciation - in millions)

	2008	2007
Buildings and improvements Land and land improvements Machinery, furniture and equipment Transportation equipment Construction in progress	\$181.6 9.3 4.9 2.0 3.7	\$186.6 9.5 6.7 2.9 .2
	\$201.5	\$205.9

The change in capital assets is due to the slowing of new construction in the District and the continuing depreciation of existing assets. The 2007 bond issue is generating new construction in the District.

#### Long-Term Debt

At June 30, 2008, the District had approximately \$216.2 million in long-term debt outstanding. This represents a decrease of approximately \$9.8 million from the amount outstanding at the close of the prior fiscal year. The decrease is due to regularly scheduled debt service payments.

For more detailed information regarding capital assets and long-term debt, please review the Notes to the Financial Statements located in the financial section of this report.

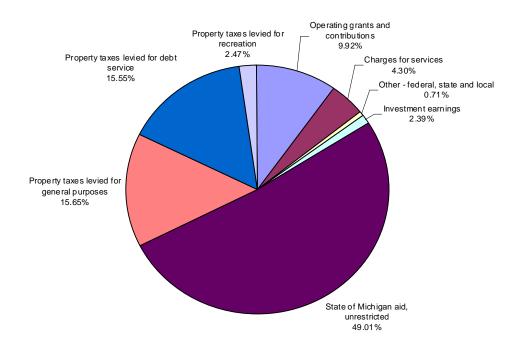
#### **Results of Operations**

For the fiscal years ended June 30, 2008 and 2007, the results of operations, on a district-wide basis were:

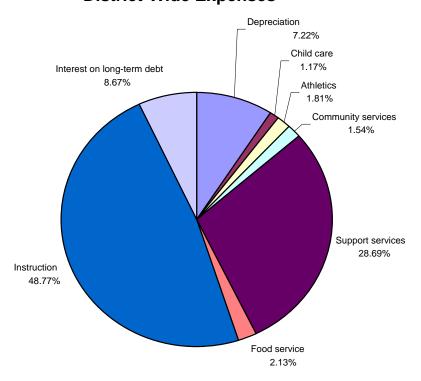
	2008 Amount	2007 Amount	Percent Change
General Revenues			
Property taxes levied for general purposes	\$ 19,437,552	\$ 18,465,773	5.3 %
Property taxes levied for debt service	19,316,870	18,417,140	4.9
Property taxes levied for recreation	3,066,012	2,918,894	5.0
State of Michigan aid, unrestricted	60,883,356	61,294,570	(.7)
Investment earnings	2,966,748	1,478,194	100.7
Other - federal, state and local	886,236	904,863	(2.1)
Total general revenues	106,556,774	103,479,434	3.0
Program Revenues			
Charges for services	5,339,196	5,109,746	4.5
Operating grants and contributions	12,318,160	11,356,437	8.5
Total program revenues	17,657,356	16,466,183	7.2
Total Revenues	124,214,130	119,945,617	3.6
Expenses			
Instruction	58,169,308	56,651,424	2.7
Support services	34,213,904	35,035,529	(2.3)
Community services	1,833,943	1,778,632	3.1
Food service	2,534,990	2,504,952	1.2
Athletics	2,162,420	2,088,151	3.6
Child care	1,392,902	1,267,882	9.9
Interest on long-term debt	10,342,556	8,889,100	16.4
Unallocated depreciation	8,610,878	9,017,450	<u>(</u> 4.5)
Total Expenses	119,260,901	117,233,120	1.7
Increase in Net Assets	4,953,229	2,712,497	
Net Assets, beginning of year	41,008,215	38,295,718	_
Net Assets, end of year	\$ 45,961,444	\$ 41,008,215	

Investment earnings increased from 2007 to 2008 due to an increase in general operating and capital project funds available to invest in spite of declining interest rates. Expenses increased, but remained within the revenue increase effectively maintaining a structural operating surplus.

#### **District-Wide Revenues**



#### **District-Wide Expenses**



#### **Analysis of Significant Revenues and Expenditures**

Significant revenues and expenditures are discussed in the segments below:

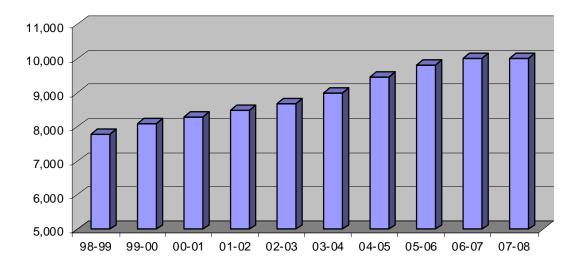
#### State Sources

The District is primarily funded by State Aid, which increased by \$71 per pupil. Total local and state per pupil funding increased approximately \$711,000 as the result of the per pupil increase. The State of Michigan funds districts based on a blended student enrollment. The blended enrollment consists of 75% of the current year's fall count and 25% of the prior year's spring count. Blended State Aid membership was 10,010 and 9,966 in 2007-08 and 2006-07, respectively. The state per-pupil allocation for 2007-08 was \$8,383 and \$8,312 for 2006-07.

#### Student Enrollment

The District's enrollment for the 2007-08 fall count was 10,014 students. This is the same enrollment as the prior year. Forest Hills Public Schools is centrally located in Kent County. This area has experienced growth and anticipates modest growth in the future. Enrollment growth over the last ten years can be illustrated as follows:

#### **Enrollment Growth**



#### Property Taxes

The District levies 18 mills of property taxes for operations on non-homestead properties, less the mandatory reductions required by the Headlee Amendment. According to Michigan law, the taxable levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of the prior year's Consumer Price Index increase or 5%, whichever is less. At the time property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is 50% of the property's market value.

For the 2007-2008 fiscal year, the District's non-homestead property tax collections were approximately \$19.4 million. The increase of 5.3% from the prior year was due primarily to the increase in the taxable values of non-homestead property.

In February 2004 voters approved 1.0 mill to be levied on all property to support recreational activities in the District. The 2007-2008 fiscal year was the fourth year this tax was levied. The total amount collected in 2007-2008 was approximately \$3.0 million. This is a 5.0% increase from the prior year due primarily to an increase in property valuation.

The District levied 6.3 mills of property taxes on all classes of property located within the District for bonded debt service. This levy is not subject to rollback provisions and is used to pay the principal and interest on bond obligations. The total amount collected for debt service in the current year was approximately \$19.3 million. This is a 4.9% increase from the prior year due primarily to an increase in property valuation.

#### General Fund Budgetary Highlights

The Uniform Budgeting Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to its starting on July 1. Any amendments made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30.

For the 2007-2008 fiscal year, the District amended the general fund budget two times, once in February, and a final amendment in June 2008. The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

	Original Budget	Final Budget	Actual	Variance With Final Budget - Positive (Negative)	Percent Variance
Total Revenues	\$97,615,547	\$97,764,889	\$ 98,089,319	\$ 324,430	.33 %
Expenditures and Other Financing Uses	S				
Instruction	\$59,379,486	\$60,302,404	\$ 58,455,293	\$ 1,847,111	3.06%
Support services	35,372,791	34,630,730	34,175,096	455,634	1.32
Community services	1,839,673	1,732,340	1,813,913	(81,573)	(4.71)
Other financing uses	1,479,189	1,591,889	1,581,589	10,300	.65
Total Expenditures and Other Financing	g Uses \$98,071,139	\$98,257,363	\$ 96,025,891	\$ 2,231,472	2.27

The actual revenues for the general fund were \$98.1 million. This exceeds the original budget estimate of \$97.6 million and is slightly above the final amended budget amount of \$97.8 million. The actual general fund expenditures were \$96.0 million. This is less than the original budget estimate of \$98.1 million and less than the final amended budget amount of \$98.3 million.

The variance between actual revenues and the original and final revenue budgets are due primarily to the following:

- Increase in Medicaid program revenues
- Increase in local fee-based program revenues

The variances between the actual general fund expenditures and the original and final expenditure budgets include the following:

- Conservative budget estimates during development and amendment of the budget
- Realizing budget reductions as projected
- Ongoing management of employee attrition

#### Analysis of Financial Position

The District added to fund balance in the General Fund for the third year in a row. Management will continue to make conservative reductions of operating expenses, particularly focusing on employee attrition management, and increase revenues where opportunities exist. The budget adopted for 2008-2009 reflects a slight operating deficit, but the goal is to eliminate the operating deficit during the year.

#### Debt Service Fund

The District reduced fund balance while maintaining the debt service tax levy at the prior year level.

#### Capital Projects Fund

Bonds were sold in June 2007 totaling \$46.8 million to fund renovation projects throughout the District. Planning commenced during fiscal year 2007-2008 with construction starting in the summer of 2008.

#### **Factors Bearing on the District's Future**

At the time that these financial statements were prepared and audited, the District was aware of the following items that could significantly affect its health in the future:

- With the current economic condition in the country, and especially in the State of Michigan, uncertainty continues to surround school district funding. State funding concerns continue to pose a challenge for the District to maintain a structural financial balance while maintaining educational programming.
- Similar to other employers, the District faces increasing employee benefit costs, particularly related to health insurance. These increases have been mitigated by health plan and benefit level changes.

- The District's contribution to fund the state retirement system is projected to continue increasing. State actions using one-time fixes have minimized increases in the short-term; however, long-term estimates project steady rate increases.
- The State of Michigan continues to increase its focus on student achievement. Results of standardized test scores (Michigan Educational Assessment Program and the Michigan Merit Exam) are compared from year to year, with the results being tabulated by school building and by district. With the changes to the federal Title I legislation resulting from the No Child Left Behind Act, adequate yearly progress of students will be more important as certain portions of funding are tied to it.

#### **Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact the Assistant Superintendent for Finance and Operations, Timothy A. Raymer, Forest Hills Public Schools, Grand Rapids, Michigan.

# **Basic** Financial Statements

# District-Wide Financial Statements

### District-Wide Financial Statements Statement of Net Assets

June 30, 2008	Governmental Activities
Assets	
Cash and investments (Note 3)	\$ 64,652,127
Taxes receivable	14,673
Accounts receivable	68,193
Due from other governmental units (Note 5)	13,005,658
Interest receivable	404,775
Inventories	175,043
Prepaid expenses	171,951
Deferred bond charges	739,449
Depreciable capital assets, net (Note 6)	190,303,592
Land and construction in progress (Note 6)	11,241,832
Total Assets	280,777,293
Liabilities	
Accounts payable	2,735,327
Due to other governmental units	880,216
Accrued interest	1,388,308
Accrued payroll	5,803,673
Accrued expenses	2,914,198
Unearned revenue	672,128
Noncurrent liabilities (Note 7):	
Due within one year	11,905,960
Due in more than one year	208,516,039
Total Liabilities	234,815,849
Net Assets	
Invested in capital assets, net of related debt	29,090,440
Restricted for debt service	1,035,270
Unrestricted	15,835,734
Total Net Assets	\$ 45,961,444

See accompanying notes to financial statements.

### District-Wide Financial Statements Statement of Activities

		Program Re	evenues	Net (Expense) Revenue and Changes in Net Assets
Year ended June 30, 2008	Expenses	Charges for Services	Operating Grants and Contributions	Total
	-			
<b>Governmental Activities</b>				
Instruction:				
Basic programs	\$ 48,796,333	\$ 136,836	\$ 77,119	\$ (48,582,378)
Added needs	9,372,975	28,433	10,126,654	782,112
Support services:				
Student services	6,889,295	-	411,336	(6,477,959)
Instructional staff	2,815,867	=	202,082	(2,613,785)
General administration	736,642	-	-	(736,642)
School administration	5,375,330	-	-	(5,375,330)
Business	1,506,900	-	-	(1,506,900)
Operations and maintenance	9,379,842	211,807	5,700	(9,162,335)
Student transportation	5,293,041	-	948,675	(4,344,366)
Other support services	2,216,987	-	36,248	(2,180,739)
Community services	1,833,943	795,534	245	(1,038,164)
Food service	2,534,990	2,176,046	490,361	131,417
Athletics	2,162,420	498,290	-	(1,664,130)
Child care	1,392,902	1,492,250	19,740	119,088
Interest on long-term debt	10,342,556	-	-	(10,342,556)
Unallocated depreciation	8,610,878	-	-	(8,610,878)
Total School District	\$ 119,260,901	\$ 5,339,196	\$ 12,318,160	(101,603,545)
	General revenues:			
		evied for general		19,437,552
		evied for debt ser		19,316,870
	Property taxes 1	evied for recreati	on	3,066,012
	Unrestricted sta	te aid		60,883,356
	Investment earn	ings		2,966,748
	Gain on sale of	assets		44,561
	Miscellaneous			841,675
	Total general reve	nues		106,556,774
	Change in net asse	ets		4,953,229
	Net Assets, begin	ning of year		41,008,215
	Net Assets, end or	f year		\$ 45,961,444

See accompanying notes to financial statements.

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# Fund Financial Statements

e 30, 2008		General Fund	Debt Service Fund
Assets		1 0110	501110010110
Cash and investments (Note 3)	\$	10,426,345	\$ 2,422,061
Taxes receivable		12,254	2,419
Accounts receivable		43,079	-
Due from other governmental units (Note 5)		12,990,851	-
Interest receivable		31	84
Inventories		154,862	-
Prepaid expenditures		171,951	-
Total Assets	\$	23,799,373	\$ 2,424,564
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$	378,610	\$ 256
Due to other governmental units		877,962	730
Accrued payroll		5,778,296	-
Accrued expenditures		2,914,198	-
Deferred revenue		555,964	-
Total liabilities		10,505,030	986
Fund Balances			
Reserved for encumbrances		570,298	-
Reserved for inventories		154,862	-
Reserved for prepaid expenditures		171,951	-
Unreserved:			
Designated (Note 10)		343,528	2,423,578
Undesignated:			
Reported in general fund		12,053,704	-
Reported in special revenue funds		-	-
Reported in capital projects funds			-
Total fund balances		13,294,343	2,423,578
Total Liabilities and Fund Balances	\$	23,799,373	\$ 2,424,564

#### Governmental Funds Balance Sheet

			Nonmajor	Total
	2007 Capital		Governmental	Governmental
	Projects Fund		Funds	Funds
\$	48,660,795	\$	3,142,926	\$ 64,652,127
	-		-	14,673
	-		25,114	68,193
	-		14,807	13,005,658
	404,660		-	404,775
	-		20,181	175,043
	-		-	171,951
\$	49,065,455	\$	3,203,028	\$ 78,492,420
\$	2,229,372	\$	127,089	\$ 2,735,327
	-		1,524	880,216
	-		25,377	5,803,673
	-		-	2,914,198
	-		116,164	672,128
	2,229,372		270,154	13,005,542
	18,870,274		880,316	20,320,888
	-		20,181	175,043
	-		-	171,951
	370,828		-	3,137,934
	_		_	12,053,704
			760,640	760,640
	27,594,981		1,271,737	28,866,718
	46,836,083		2,932,874	65,486,878
Φ.		Φ		
\$	49,065,455	\$	3,203,028	\$ 78,492,420

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#### Reconciliation of Fund Balances of Governmental Funds to Net Assets on the Statement of Net Assets

June 30, 2008		
Total fund balances - total governmental funds (from page 23)		\$ 65,486,878
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.  These assets consist of:		
Capital assets, at cost	\$295,459,827	
Accumulated depreciation	(93,914,403)	
Net capital assets		201,545,424
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
These assets consist of:		
Deferred bond charges		739,449
Long-term liabilities, including interest payable, are not due and		
payable in the current period and, therefore, are not reported in the funds.		
Balances are as follows:		
Bonds payable	(216,210,000)	
Deferred bond premium	(8,345,061)	
Deferred interest on refunding	6,260,348	
Accrued interest on bonds	(1,388,308)	
Compensated absences	(1,448,128)	
Early retirement incentives payable	(308,330)	
Rebatable arbitrage	(370,828)	
Net long-term liabilities		(221,810,307)
Net Assets of Governmental Activities		\$ 45,961,444

	General	Debt
Year ended June 30, 2008	Fund	Service Fund
Revenues		
Property taxes	\$ 22,503,564	\$ 19,316,870
Other local sources	2,923,518	323,121
Intermediate sources	6,122,800	-
State sources	64,189,782	-
Federal sources	2,349,655	
Total revenues	98,089,319	19,639,991
Expenditures		
Current:		
Instruction	58,455,293	-
Support services	34,175,096	-
Community services	1,813,913	-
Food service	-	-
Athletics	-	-
Child care	-	-
Debt service:		
Principal	-	9,840,000
Interest and other	-	10,467,713
Capital projects	-	
Total expenditures	94,444,302	20,307,713
Excess (deficiency) of revenues over expenditures	3,645,017	(667,722)
Other Financing Sources (Uses)		
Sale of capital assets	48,411	_
Transfers in	70,000	-
Transfers out	(1,700,000)	-
Total other financing sources (uses)	(1,581,589)	-
Changes in fund balances	 2,063,428	(667,722)
Fund Balances, beginning of year	11,230,915	3,091,300
Fund Balances, end of year	\$ 13,294,343	\$ 2,423,578

### Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances

	Nonmajor		Total
2007 Capital	Governmental		Governmental
Projects Fund	Funds		Funds
\$ -	\$ -	\$	41,820,434
2,408,792	4,338,288		9,993,719
-	-		6,122,800
-	86,284		64,276,066
-	423,817		2,773,472
2,408,792	4,848,389		124,986,491
-	-		58,455,293
-	-		34,175,096
_	-		1,813,913
_	2,543,291		2,543,291
_	2,157,805		2,157,805
-	1,405,906		1,405,906
-	-		9,840,000
-	-		10,467,713
3,812,509	957,277		4,769,786
3,812,509	7,064,279		125,628,803
(1,403,717)	(2,215,890)		(642,312)
-	-		48,411
_	1,700,000		1,770,000
 	(70,000)		(1,770,000)
-	1,630,000		48,411
(1,403,717)	(585,890)	_	(593,901)
48,239,800	3,518,764		66,080,779
\$ 46,836,083	\$ 2,932,874	\$	65,486,878

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year ended June 30, 2008		
Changes in fund balances - total governmental funds (from page 27)		\$ (593,901)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Governmental funds report proceeds from the sale of capital assets as revenue while the statement of activities reports only the gain or loss on disposal.  Capital outlay  Depreciation expense  Net loss on disposal of capital assets	\$ 4,327,218 (8,610,878) (116,025)	(4,399,685)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal uses current financial resources. In the statement of net assets, bonds issued are reported as a liability and repayments reduce the liability.  Repayment of principal		9,840,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.  Amortization  Rebatable arbitrage  Accrued interest  Early retirement incentives  Compensated absences	68,097 (370,828) 57,060 388,887 (36,401)	106,815
Change in Net Assets of Governmental Activities		\$ 4,953,229

General Fund Statement of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual

	01	F: 1	7	Variance With Final Budget
V	Original	Final	A a411 a1	Positive
Year ended June 30, 2008	Budget	Budget	Actual	(Negative)
Revenues				
Property taxes	\$ 22,825,000	\$ 22,505,000 \$	22,503,564	\$ (1,436)
Other local sources	2,629,000	2,701,801	2,923,518	221,717
Intermediate sources	5,743,000	5,929,000	6,122,800	193,800
State sources	63,866,008	64,208,835	64,189,782	(19,053)
Federal sources	2,552,539	2,420,253	2,349,655	(70,598)
Total revenues	97,615,547	97,764,889	98,089,319	324,430
Expenditures				
Current:	50.250.406	60 202 404	50 455 202	1.047.111
Instruction	59,379,486	60,302,404	58,455,293	1,847,111
Support services	35,372,791	34,630,730	34,175,096	455,634
Community services	1,839,673	1,732,340	1,813,913	(81,573)
Total expenditures	96,591,950	96,665,474	94,444,302	2,221,172
Excess of revenues over expenditures	1,023,597	1,099,415	3,645,017	2,545,602
Other Financing Sources (Uses)				
Sale of capital assets	40,000	45,000	48,411	3,411
Transfers in	70,000	70,000	70,000	-
Transfers out	(1,589,189)	(1,706,889)	(1,700,000)	6,889
Total other financing uses	(1,479,189)	(1,591,889)	(1,581,589)	10,300
Changes in fund balances	(455,592)	(492,474)	2,063,428	2,555,902
Fund Balances, beginning of year	11,230,915	11,230,915	11,230,915	
Fund Balances, end of year	\$ 10,775,323	\$ 10,738,441 \$	13,294,343	\$ 2,555,902

### Fiduciary Funds Statement of Fiduciary Assets and Liabilities

June 30, 2008	Student Activity Agency Fund
Assets Cash and deposits (Note 3)	\$ 80,028
Interest receivable	1,405
Investments (Note 3)	1,558,101
Total Assets	\$ 1,639,534
Liabilities	¢ 26.526
Accounts payable  Due to other governmental units	\$ 26,536 1,204
Due to student groups	1,611,794
Total Liabilities	\$ 1,639,534

**Notes to Financial Statements** 

#### 1. Summary of Significant Accounting Policies

The basic financial statements of Forest Hills Public Schools (the District) have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

#### Reporting Entity

The District is an independent entity with an elected Board of Education. The Board consists of seven members elected to four-year terms. The Board has responsibility and control over all matters affecting the District, including authority to levy taxes and determine its budget, the power to designate management and primary accountability for fiscal matters. The basic financial statements of the District contain all funds and account groups for which the District is financially accountable. There are no other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's basic financial statements to be misleading or incomplete.

#### **Basis of Presentation**

District-wide financial statements: The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The district-wide financial statements categorize activities as either governmental or business-type. All of the District's activities are classified as governmental.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to recipients who purchase, use or directly benefit from goods, services or privileges provided by a given function, and 2) grants and contributions that are restricted to

#### **Notes to Financial Statements**

meeting the operation or capital requirements of a particular function. Property taxes, state aid foundation and certain other items are reported as general revenues.

Fund financial statements: The fund financial statements provide information about the District's funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements.

When both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first.

#### Governmental Funds

Governmental Funds are used to account for the District's general activity. The focus is on determination of the financial position and changes in financial position rather than on income determination. The following is a description of the Governmental Funds of the District:

General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. It is considered a major fund.

Special Revenue Funds are used to account for revenue sources that are restricted to expenditures for specified purposes. The District operates three special revenue funds: Food Service, Athletics and Child Care.

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. The Debt Service Fund is considered a major fund.

Capital Projects Funds are used to account for financial resources to be used for the acquisition and construction of major capital facilities. The District's 2007 Capital Projects Fund is considered a major fund.

#### **Notes to Financial Statements**

#### Fiduciary Fund

The *Agency Fund* is used to account for assets held by the District in a trustee capacity for individuals or school-related organizations. The Agency Fund is custodial in nature and does not involve measurement of results of operations. The District operates one agency fund, which is the Student Activity Fund.

#### Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured and basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

District-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough after to pay liabilities for the current period. The District considers revenues available if collected within 60 days after year end for property taxes, state aid and interest, and 90 days after year end for entitlement funds and grants.

Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

#### **Notes to Financial Statements**

#### State Foundation Revenue

The State of Michigan provides funds through a foundation grant approach, which provides for a specific annual amount of revenue per student based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. For the year ended June 30, 2008, the foundation allowance was based on the blended pupil membership counts taken in February and September 2007.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes, which may be levied at a rate of up to 18 mills.

#### State Categorical Revenue

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue.

#### Federal Revenue

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

#### **Budgets and Budgetary Accounting**

The budgetary data reflected in the financial statements is established by the District using the procedures outlined below:

Prior to May, a budget steering committee consisting of District administrators reviews operating budgets for the fiscal year commencing the following July 1.

#### **Notes to Financial Statements**

This information is used to develop a budget and resolution for the General Fund and Special Revenue Funds. This includes proposed expenditures and the means of financing them, and is compiled on the same basis of accounting used to reflect actual revenues and expenditures recognized on a generally accepted accounting principles basis.

In June, the budget resolution is subjected to a public hearing before the full Board of Education and is adopted after this hearing and before July 1, the first day of the budgeted fiscal year.

Various administrators are authorized to transfer budgeted amounts within their departmental budget; however, any revisions that alter the total expenditures of a fund, the legal level of budgetary control, must be approved by the Board of Education. Unexpended appropriations lapse at year-end. The budget is integrated with the accounting system of the District and is used as a management control device during the year.

The budget was amended during the year to reflect changes occurring since the original adoption. The major cause of amendments typically relate to classification of revenues and expenditures as well as changes since the original adoption. The State of Michigan has implemented new accounting classifications in recent years and that has caused some of these changes.

#### **Investments**

Investments are shown at fair value.

#### **Inventories**

Inventories are stated at cost except USDA donated commodities, which are recorded at fair market value. Inventories consist primarily of food, cafeteria supplies, teaching and maintenance supplies and are valued using FIFO except natural gas inventory which is valued using a weighted average method. Governmental Fund inventories are reported as assets until consumed, at which time an expenditure is recorded.

#### **Notes to Financial Statements**

#### Capital Assets

Capital assets, which include property, buildings and equipment, are reported in the district-wide financial statements. Assets having a useful life in excess of one year and whose costs exceed \$5,000 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at their market value as of the donation date.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' useful lives are not capitalized. Major outlays for capital assets are capitalized as projects are constructed. Depreciation is provided for on the straightline basis over the estimated useful lives of the assets as follows:

	Years
Land improvements	15
Buildings and additions	45 - 50
Furniture and equipment	5 - 15

#### Other Assets

In the district-wide financial statements, bond sale costs, premiums and discounts are deferred and amortized over the life of the related bonds.

In the fund financial statements, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Premiums and discounts are reported as other financing sources (uses) while issuance costs are reported as expenditures.

#### Compensated Absences

District employees are granted vacation and sick leave in varying amounts based on length of service. Sick leave is accumulated at different rates for various categories of employees. Unused sick leave accumulates from year to year to a maximum, which varies for different categories of employees. Unused sick leave is paid to employees at a nominal rate for each unused sick day either at the time of retirement or upon termination,

#### **Notes to Financial Statements**

depending upon the category of the employee. The liability for compensated absences includes salary-related payments. In the fund financial statements only the matured liability for compensated absences is reported. The total liability is reported in the district-wide financial statements.

#### **Long-Term Obligations**

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. In the fund financial statements, the face amount of new debt issued is reported as other financing sources.

Rebatable arbitrage is reported as a reduction of investment income and a liability only in the district-wide financial statements.

#### Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition or construction of those assets. Net assets are reported as restricted when there are limitations imposed on their use, either through legislation or through external restrictions imposed by creditors, grantors, laws or regulations from other governments.

#### **Property Taxes**

Properties are assessed as of December 31, and approximately one-half of the related property taxes are levied and become a lien on July 1. These taxes are due on July 31 for the City of Grand Rapids and September 14 for all others. The remaining taxes are levied and become a lien on December 1. These taxes are due February 14 with the final collection date of February 28, before they are added to the county delinquent tax rolls.

#### **Interfund Activity**

During the course of its operations, the District has transactions between funds. The General Fund regularly transfers funds to Food Service, Athletics and Child Care to fund operating shortfalls. During 2008 the Food Service Fund transferred \$70,000 to the General Fund for indirect costs. To the extent that certain transactions had not been paid or received as of year end, balances of interfund receivables or payables are recorded. Balances are normally liquidated in the subsequent fiscal year.

#### **Notes to Financial Statements**

#### Use of Estimates

The preparation of financial statements requires estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

#### 2. Stewardship, Compliance and Accountability

In 2008, expenditures in the child care fund exceeded appropriations by \$29,206, which was offset by actual revenues in excess of budget of \$110,280.

#### 3. Cash and Investments

#### **Deposits**

State statutes require that certificates of deposit, savings accounts, deposit accounts and depository receipts are made with banks doing and having a place of business in the state of Michigan that are also members of a federal or national insurance corporation.

#### Custodial Credit Risk Related to Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits might not be recovered. The District minimizes custodial credit risk by pre-qualifying financial institutions. At June 30, 2008, \$6,140,351 of the District's bank balances (without recognition of deposits in transit and outstanding checks) of \$6,340,351 was uninsured and uncollateralized.

#### **Investments**

At June 30, 2008 the District had the following investments, all of which mature in less than one year:

Investment Type	Fair Value	Ratings Agency	Rating	Percent of Total
Money market funds Money market funds Repurchase agreement	\$ 5,367,725 6,888,745 48,605,505	S&P Moody's S&P	AAAm Aaa AA-	9% 11 80
	\$ 60,861,975			

#### **Notes to Financial Statements**

#### Interest Rate Risk

The District minimizes interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term investments.

#### Custodial Credit Risk Related to Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. The District minimizes custodial credit risk by limiting investments and pre-qualifying financial institutions. The District had no investments subject to custodial credit risk at June 30, 2008.

#### Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

State statutes authorize the District to invest in obligations and certain repurchase agreements of the U.S. Treasury and related governmental agencies, commercial paper rated prime at the time of purchase and maturing not more than 270 days from the date of purchase, banker's acceptances and certificates of deposit issued or created by any state or national bank insured with the applicable federal agency and investment pools authorized by the Surplus Funds Investment Pool Act.

The District follows state statutes and has no investment policy that would further limit its investment choices.

#### Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. Although the District places no limit on the amount that may be invested in any one issuer, the District minimizes concentration of credit risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimal.

#### **Notes to Financial Statements**

#### 4. Interfund Activity

Transfers between funds during the year ended June 30, 2008 were as follows:

Fund	Transfers In	Transfers Out	
General Fund Nonmajor Governmental Funds	\$ 70,000 1,700,000	\$1,700,000 70,000	
	\$1,770,000	\$1,770,000	

#### 5. Due From Other Governmental Units

Due from other governmental units consists of the following:

Fund	Local	State	Total
	Ф 1 252 726	Φ11 <b>7</b> 20 11 <b>7</b>	ф. 1 <b>2</b> 000 0 <b>7</b> 1
General	\$ 1,252,736	\$11,738,115	\$ 12,990,851
Child Care	-	930	930
Food Service	-	13,877	13,877
Total	\$1,252,736	\$11,752,922	\$ 13,005,658

All balances are expected to be collected within one year.

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#### **Notes to Financial Statements**

#### 6. Capital Assets

The following summarizes capital asset activity for the year ended June 30, 2008.

	Balance, July 1, 2007	Additions	Deletions	Balance, June 30, 2008
Governmental Activities				
Capital assets not depreciated:				
Land	\$ 7,512,253	\$ -	\$ -	\$ 7,512,253
Construction in progress	195,551	3.794.361	260,333	3,729,579
Capital assets being depreciated:	175,551	3,794,301	200,333	3,129,319
Land improvements	4,416,624	63,004		4,479,628
Buildings and improvements	236,881,074	321,032	151,013	237,051,093
Machinery, furniture and	230,001,074	321,032	131,013	237,031,093
equipment	35,289,913	409,154		35,699,067
Transportation equipment	7,387,436	-02,13-	399,229	6,988,207
Transportation equipment	7,507,450		377,227	0,700,207
Totals at historical cost	291,682,851	4,587,551	810,575	295,459,827
Less accumulated depreciation for:				
Land improvements	2,410,197	262,576	_	2,672,773
Buildings and improvements	50,292,054	5,246,356	34,988	55,503,422
Machinery, furniture and	30,272,034	3,240,330	34,700	33,303,422
equipment	28,553,371	2,228,411	_	30,781,782
Transportation equipment	4,482,120	873,535	399,229	4,956,426
		,	,	
Total accumulated depreciation	85,737,742	8,610,878	434,217	93,914,403
Net Capital Assets	\$ 205,945,109	\$ 4,023,327	\$ 376,358	\$ 201,545,424

Depreciation for the year ended June 30, 2008 was \$8,610,878. The District determined that it was impractical to allocate depreciation to various governmental activities as the assets serve multiple functions.

Costs to complete the construction in progress are approximately \$34,300,000.

#### **Notes to Financial Statements**

#### 7. Long-Term Obligations

The following is a summary of changes in long-term obligations for the District for the year ended June 30, 2008:

	Balance, July 1, 2007	Additions	Deductions	Balance, June 30, 2008	Due Within One Year
Bonds payable	\$ 226,050,000 \$	-	\$ 9,840,000	\$ 216,210,000	\$ 10,475,000
Less deferred interest					
from refunding	(6,738,846)	-	(478,498)	(6,260,348)	-
Deferred issuance premium	8,941,562	-	596,501	8,345,061	-
Compensated absences	1,411,727	1,345,517	1,309,116	1,448,128	1,311,000
Retirement contracts payable	697,217	222,662	611,549	308,330	119,960
Rebatable arbitrage payable	-	370,828	<u>-</u>	370,828	<u> </u>
	\$ 230,361,660 \$	1,939,007	\$ 11,878,668	\$ 220,421,999	\$ 11,905,960

Bonds payable at June 30, 2008 are comprised of the following individual issues:

June 30, 2008	Principal Outstanding	Remaining Interest Requirements
1999 Refunding Bonds, \$35,810,000, due in annual installments of \$3,600,000 to \$4,075,000 through May 1, 2015, interest at 4.15% to 5.00%.	\$ 28,050,000	\$ 5,589,526
2000 Building and Site Bonds, \$122,300,000, due in annual installments of \$3,075,000 to \$4,000,000 through May 1, 2010, interest at 5.25%.	7,075,000	581,438
2002 Refunding Bonds, \$10,435,000, due in annual installments of \$100,000 to \$1,775,000 through May 1, 2015, interest at 3.90% to 5.63%.	9,960,000	2,227,248
2004 Building and Site Bonds, \$28,800,000, due in annual installments of \$900,000 to \$2,250,000 through May 1, 2024, interest at 3.25% to 5.00%.	27,375,000	12,289,594
2005 Refunding Bonds, \$103,730,000, due in annual installments of \$2,600,000 to \$11,150,000 through May 1, 2021, interest at 3.0% to 5.0%.	97,075,000	42,194,250
2007 Building and Site Bonds, \$46,800,000, due in annual installments of \$200,000 to \$3,950,000 through May 1, 2027, interest at 4.00% to 5.00%.	46,675,000	29,273,876
	\$216,210,000	\$ 92,155,932

#### **Notes to Financial Statements**

#### Early Retirement Incentive

The District offers some employees an early retirement incentive program as part of their contractual agreement. A voluntary retirement incentive program was offered as a one time option in 2005. There is one employee still participating in the voluntary retirement program and fifty-five employees participate in the early retirement program. The voluntary retirement program provides 53% of each employee's annual salary at the time of retirement payable over three years. The early retirement program provides \$1,500 annually for ten years or until the employee reaches the age of sixty-five. A severance program is available for administrative staff. In 2008 one employee participated in the severance program receiving \$11,000 per year for three years and the liability at year end was \$22,000. At June 30, 2008, the District's liability for the voluntary retirement plan and early retirement plan was \$37,335 and \$264,000, respectively. The total present value of the future payments for all programs, using a discount rate of 1.85% is \$308,330.

Retirement contracts and compensated absences are typically liquidated by the General Fund.

#### **Debt Service Requirements**

The annual requirements to service the bonds outstanding to maturity, including both principal and interest, are as follows:

Year ending June 30,	Principal	Interest	Total
2009	\$ 10,475,000	\$ 10,421,569	\$ 20,896,569
2010	11,100,000	9,991,583	21,091,583
2011	11,585,000	9,490,369	21,075,369
2012	12,925,000	8,941,407	21,866,407
2013	13,515,000	8,329,219	21,844,219
2014-2018	77,360,000	31,068,034	108,428,034
2019-2023	61,500,000	11,855,626	73,355,626
2024-2027	17,750,000	2,058,125	19,808,125
	\$216,210,000	\$ 92,155,932	\$ 308,365,932

#### **Notes to Financial Statements**

#### **Defeased Debt**

In 2005, the District defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account asset and the liability for the defeased bonds are not included in the financial statements. At June 30, 2008, \$96,375,000 of bonds outstanding are considered defeased. These bonds will be called for payment in 2010 by the trustee.

#### 8. Employee Retirement System - Defined Benefit Plan

#### Plan Description

The District contributed to the statewide Michigan Public School Employees' Retirement System (MPSERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the nine-member board of the MPSERS. The MPSERS provides retirement benefits and postretirement benefits for health, dental and vision. The MPSERS was established by Public Act of 136 of 1945 and currently operates under the provision of Public Act 300 of 1980, as amended. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report may be obtained by contacting the Michigan Public Schools Employees' Retirement System, P.O. Box 30026, Lansing, Michigan 48909.

#### Funding Policy

Basic Plan members make no contributions. Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 and December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

#### **Notes to Financial Statements**

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2008 were 17.74% from July 1, 2007 through September 30, 2007 and 16.72% from October 1, 2007 through June 30, 2008. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District's contributions to MPSERS for the current and two preceding years were as follows:

	Employer
Year ended June 30,	Contribution
2008	\$9,496,709
2007	9,636,305
2006	8,600,979

#### 9. Risk Management and Benefits

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omission; injuries to employees and natural disasters. The District is a member of the West Michigan Risk Management Trust (Trust), a self-insurance program with 27 districts pooling together to insure property, liability and auto exposures. Premiums from members of the Trust are arrived at through standard underwriting procedures. The members of the Trust have contributed amounts sufficient to fund individual and aggregate losses up to \$250,000 and \$1,000,000, respectively, on an annual basis. Excess insurance has been purchased to cover claims exceeding those amounts. Specific coverages are listed in the supplemental material. A \$1,000 per occurrence deductible for property losses is maintained to place the responsibility for small charges with the members of the Trust.

#### **Notes to Financial Statements**

The District is a member of the West Michigan Workers' Compensation Fund, a self-insurance program with 19 districts pooling together to insure workers' compensation and employers' liability exposures. The fund pays the first \$450,000 of any workers' compensation or employers' liability loss out of a \$2,175,150 loss fund collected from members. Excess insurance has been purchased to cover claims exceeding those amounts.

Health and life insurance is provided by private insurance carriers. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant changes in insurance coverage from the prior year.

#### 10. Unreserved Fund Balance

Designations of unreserved fund balances represent tentative plans by management. Specific designations of fund balances are as follows:

				2007
			Debt	Capital
		General	Service	Projects
June 30, 2008		Fund	Fund	Fund
Fund balances designated Debt service	\$		\$ 2,423,578	¢
Early retirement incentive	φ	308,330	\$ 2,423,376	ф - -
Prescription drug reimbursement plan		35,198	_	_
Arbitrage payable		-	_	370,828
Total fund balances designated		343,528	2,423,578	370,828
Undesignated fund balance		12,053,704	-	27,594,981
<b>Total Unreserved Fund Balances</b>	\$	12,397,232	\$ 2,423,578	\$ 27,965,809

**Notes to Financial Statements** 

#### 11. Bond Compliance

The Capital Projects Funds include activities funded by bonds that were issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of Section 1351(a) of the Revised School Code. Beginning with the year of bond issuance, the District has reported the annual construction activity in the Capital Projects Funds as follows:

		Cumulative
		Expenditures
	Cumulative	(excluding
June 30, 2008	Revenues	transfers)
2004 Bonds	\$1,552,960	\$27,675,948
2007 Bonds	2,443,069	4,238,552

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### **General Fund**

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**General Fund** 

To account for resources except those required to be accounted for in another fund.

General Fund Schedule of Revenues and Other Financing Sources - Budget to Actual

				Variance	
	Final			Positive	
Year ended June 30, 2008	Budget		Actual	(1)	Negative)
Revenues					
Local Sources					
Property taxes	\$ 22,505,000	\$	22,503,564	\$	(1,436)
Tuition:					
Community service activities:					
After-school classes	150,000		214,273		64,273
Community enrichment	120,000		144,669		24,669
Learning center	25,000		22,123		(2,877)
Summer academy	150,000		136,428		(13,572)
Pool classes	75,000		64,861		(10,139)
Fees and memberships:					
Aquatic and learning centers	40,000		40,798		798
Ticket sales	295,000		308,810		13,810
Investment income	500,000		470,209		(29,791)
Miscellaneous:					
Facility rentals	150,000		211,807		61,807
Internal printing	325,000		252,260		(72,740)
Coke contract	224,000		229,789		5,789
Internal trips	175,000		193,834		18,834
Private sources	232,801		263,965		31,164
Other miscellaneous	240,000		369,692		129,692
Total revenues from local sources	25,206,801		25,427,082		220,281
State Sources					
Restricted	3,420,835		3,306,426	(	114,409)
Unrestricted	60,788,000		60,883,356		95,356
Total revenues from state sources	64,208,835		64,189,782		(19,053)

General Fund Schedule of Revenues and Other Financing Sources - Budget to Actual

Year ended June 30, 2008	Final Budget	Actual	Variance Positive (Negative)		
Teur enaeu June 30, 2000	Duaget		Actual	(Ivegative)	
Federal Sources					
IDEA	\$ 1,851,425	\$	1,883,733	\$ 32,308	
Title I	259,062		259,062	_	
Title II	254,715		148,349	(106,366)	
Title III	35,324		31,805	(3,519)	
Title V	2,035		2,035	-	
Medicaid	-		7,386	7,386	
Other grants	17,692		17,285	(407)	
Total revenues from federal sources	2,420,253		2,349,655	(70,598)	
Other Governmental Units					
Kent ISD Act 18 special education millage	4,525,000		4,534,794	9,794	
Special education transportation	936,000		933,749	(2,251)	
Other payments received from other public schools	468,000		654,257	186,257	
Total revenues from other governmental units	5,929,000		6,122,800	193,800	
Total revenues	97,764,889		98,089,319	324,430	
Other Financing Sources					
Transfers in	70,000		70,000	_	
Sale of capital assets	45,000		48,411	3,411	
Total other financing sources	115,000		118,411	3,411	
<b>Total Revenues and Other Financing Sources</b>	\$ 97,879,889	\$	98,207,730	\$ 327,841	

Year ended June 30, 2008	Salaries	Employee Benefits FICA	Employee Benefits Retirement
Expenditures			
Instruction			
Basic programs	\$32,199,139	\$ 2,483,567	\$ 5,406,270
Added needs	5,689,196	451,293	955,845
Total instruction	37,888,335	2,934,860	6,362,115
Support Services			
Student services	2,500,567	193,739	416,019
Instructional staff	1,725,385	131,879	290,297
General administration	282,938	15,149	44,371
School administration	3,686,645	275,160	624,690
Business	713,561	51,115	116,746
Operations and maintenance	3,217,445	247,348	549,015
Student transportation	2,044,629	171,416	336,429
Central services	928,495	69,454	153,935
Total support services	15,099,665	1,155,260	2,531,502
Community Services	799,716	56,422	126,673
Total expenditures	53,787,716	4,146,542	9,020,290
Other Financing Use Transfers out	-	-	-
<b>Total Expenditures and Other Financing Use</b>	\$53,787,716	\$ 4,146,542	\$ 9,020,290

General Fund Schedule of Expenditures and Other Financing Use - Budget to Actual

Employee Benefits- Other	Purchased Services	Supplies, Materials and Other	Total Actual Expenditures	Final Budget	Variance Positive (Negative)
\$ 6,965,008 1,406,150	\$ 1,062,987 262,824	\$ 950,886 622,128	\$49,067,857 9,387,436	\$ 49,976,739 10,325,665	\$ 908,882 938,229
8,371,158	1,325,811	1,573,014	58,455,293	60,302,404	1,847,111
494,175	96,170	3,209,663	6,910,333	6,801,974	(108,359)
343,650	173,168	138,416	2,802,795	2,865,832	63,037
115,358	285,779	27,458	771,053	735,130	(35,923)
649,950	104,376	45,798	5,386,619	5,312,608	(74,011)
176,481	195,379	244,689	1,497,971	1,580,160	82,189
933,446	1,733,096	2,713,311	9,393,661	9,742,166	348,505
610,817	78,688	2,258,771	5,500,750	5,586,550	85,800
199,563	417,292	143,175	1,911,914	2,006,310	94,396
3,523,440	3,083,948	8,781,281	34,175,096	34,630,730	455,634
182,101	560,206	88,795	1,813,913	1,732,340	(81,573)
12,076,699	4,969,965	10,443,090	94,444,302	96,665,474	2,221,172
	<u>-</u>	1,700,000	1,700,000	1,706,889	6,889
\$12,076,699	\$ 4,969,965	\$ 12,143,090	\$96,144,302	\$ 98,372,363	\$ 2,228,061

# Nonmajor Governmental Funds

#### **Nonmajor Governmental Funds**

#### **Special Revenue Funds**

To account for proceeds of specific revenue sources designated to finance expenditures for specific purposes. The District maintains the following Special Revenue Funds:

Food Service Fund - to account for activity relating to cafeteria operations.

Athletics Fund - to account for athletic activities.

Child Care Fund - to account for activities related to child care.

#### **Capital Projects Fund**

2004 Capital Projects Fund - accounts for the erection, furnishing and equipping of school buildings and other projects approved by the voters. Funding is provided by the 2004 bond proceeds and interest earned.

	Special Revenue Funds									
		Food			Child					
June 30, 2008	S	Service	Athletics		Care					
Assets										
Cash and investments	\$ 39	6,500 \$	293,743	\$	247,664					
Accounts receivable		3,760	-		17,929					
Due from other governmental units	1	3,877	-		930					
Inventories	2	0,181	-		-					
Total Assets	\$ 43	4,318 \$	293,743	\$	266,523					
Liabilities and Fund Balances										
Liabilities										
Accounts payable	\$ 4	3,145 \$	20,265	\$	2,923					
Due to other governmental units		71	-		1,453					
Accrued payroll		_	10,991		14,386					
Deferred revenue	8	0,306			35,858					
Total liabilities	12	3,522	31,256		54,620					
Fund Balances										
Reserved for encumbrances		_	435		3,930					
Reserved for inventories	2	0,181	_		-					
Unreserved and undesignated	29	0,615	262,052		207,973					
Total fund balances	31	0,796	262,487		211,903					
Total Liabilities and Fund Balances	\$ 43	4,318 \$	293,743	\$	266,523					

#### Nonmajor Governmental Funds Combining Balance Sheet

Capital Projects Fund										
2004 Capital										
Projects	Total									
\$ 2,205,019 3,425	\$ 3,142,926 25,114 14,807 20,181									
\$ 2,208,444	\$ 3,203,028									
\$ 60,756	\$ 127,089 1,524									
-	25,377									
 -	116,164									
60,756	270,154									
875,951 - 1,271,737	880,316 20,181 2,032,377									
-,-,-,,,,,,,										
2,147,688	2,932,874									
\$ 2,208,444	\$ 3,203,028									

	Special Revenue Funds								
		Food							
Year ended June 30, 2008		Service	Athletics	Care					
Revenues	Ф	2 106 647	Φ 400.200	Ф 1 406040					
Local sources	\$	2,186,647	\$ 498,290	\$ 1,496,040					
State sources		73,336	=	12,948					
Federal sources		417,025	-	6,792					
Total revenues		2,677,008	498,290	1,515,780					
Expenditures									
Salaries and wages		672,037	1,318,588	860,164					
Employee benefits		284,644	403,768	409,032					
Food and milk costs		1,175,559	2,054	61,676					
Supplies, materials and other		110,408	63,113	43,801					
Purchased services		300,643	255,228	25,583					
Capital outlay		-	2,861	-					
Transportation		-	112,193	5,650					
Total expenditures		2,543,291	2,157,805	1,405,906					
Excess (deficiency) of revenues									
over expenditures		133,717	(1,659,515)	109,874					
Other Financing Sources (Uses)									
Transfers in		_	1,700,000	=					
Transfers out		(70,000)	<u>-</u>						
Total other financing sources (uses)		(70,000)	1,700,000	<u>-</u>					
Changes in fund balances		63,717	40,485	109,874					
Fund Balances, beginning of year		247,079	222,002	102,029					
Fund Balances, end of year	\$	310,796	\$ 262,487	\$ 211,903					

Nonmajor Governmental Funds Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Capital Projects Fund	
2004 Capital	
Projects	Total
\$ 157,311	\$ 4,338,288
-	86,284
	423,817
157,311	4,848,389
10 7,6 11	.,6 .6,6 65
-	2,850,789
-	1,097,444
-	1,239,289
-	217,322
-	581,454
957,277	960,138
	117,843
957,277	7,064,279
,	, i
(799,966)	(2,215,890)
	1,700,000
<u>-</u>	(70,000)
	(70,000)
<del>-</del>	1,630,000
(799,966)	(585,890)
2,947,654	3,518,764
\$ 2,147,688	\$ 2,932,874
Ψ 2,147,000	ψ 4,934,074

		Food Service					
			Variance				
Year ended June 30, 2008	Final Budget	Actual	Positive (Negative)				
	Budget	Actual	(Negative)				
Revenues							
Local sources:	<b>A. 2.1.10.000</b>	A 2 17 4 010	Φ 24.010				
Food sales	\$ 2,140,000	\$ 2,174,818	\$ 34,818				
Athletics receipts	-	-	-				
Child care fees	-	-	-				
Investment income	10,000	10,601	601				
Miscellaneous	-	1,228	1,228				
State source:							
Restricted state aid	75,000	73,336	(1,664)				
Federal sources:							
Child nutrition cluster	300,000	309,202	9,202				
Donated commodities	80,000	107,823	27,823				
Total revenues	2,605,000	2,677,008	72,008				
Other Financing Source							
Transfers in	-	-	-				
Total revenues and other financing source	2,605,000	2,677,008	72,008				
Expenditures							
Current:							
Salaries and wages	698,419	672,037	26,382				
Employee benefits	287,318	284,644	2,674				
Food and milk costs	1,161,015	1,175,559	(14,544)				
Supplies, materials and other	115,878	110,408	5,470				
Purchased services	289,769	300,643	(10,874)				
Capital outlay	-	-	-				
Transportation	-	-	-				
Total expenditures	2,552,399	2,543,291	9,108				
Other Financing Use							
Transfers out	70,000	70,000	-				
Total expenditures and other financing use	2,622,399	2,613,291	9,108				
Excess (deficiency) of revenues and other							
financing source over expenditures and other financing use	(17,399)	63,717	81,116				
Fund Balances, beginning of year	247,079	247,079					
Fund Balances, end of year	\$ 229,680	\$ 310,796	\$ 81,116				

# Special Revenue Funds Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual

	Total			Child Care			Athletics	
Variano			Variance			Variance		
Positiv		Final	Positive		Final	Positive		Final
(Negative	Actual	Budget	(Negative)	Actual	Budget	(Negative)	Actual	Budget
\$ 34,818	\$ 2,174,818	\$ 2,140,000	\$ -	\$ -	\$ -	\$ -	-	\$ -
18,290	498,290	480,000	-	-	-	18,290	498,290	480,000
107,250	1,492,250	1,385,000	107,250	1,492,250	1,385,000	-	-	-
891	14,391	13,500	290	3,790	3,500	-	-	-
1,228	1,228	-	-	-	-	-	-	-
(716	86,284	87,000	948	12,948	12,000	-	-	-
10,994	315,994	305,000	1,792	6,792	5,000	-	-	-
27,823	107,823	80,000	-	-	-	-	-	-
200,578	4,691,078	4,490,500	110,280	1,515,780	1,405,500	18,290	498,290	480,000
	1,700,000	1,700,000	_	_	_	_	1,700,000	1,700,000
200.57			110.280	1.515.500	1 405 500	10.200	2,198,290	
200,578	6,391,078	6,190,500	110,260	1,515,780	1,405,500	18,290	2,198,290	2,180,000
25,020	2,850,789	2,875,809	1,436	860,164	861,600	(2,798)	1,318,588	1,315,790
12,474	1,097,444	1,109,918	(10,432)	409,032	398,600	20,232	403,768	424,000
(24,774	1,239,289	1,214,515	(11,176)	61,676	50,500	946	2,054	3,000
12,156	217,322	229,478	(2,201)	43,801	41,600	8,887	63,113	72,000
(10,785	581,454	570,669	(6,183)	25,583	19,400	6,272	255,228	261,500
2,139	2,861	5,000	-	-	-	2,139	2,861	5,000
(7,843	117,843	110,000	(650)	5,650	5,000	(7,193)	112,193	105,000
8,387	6,107,002	6,115,389	(29,206)	1,405,906	1,376,700	28,485	2,157,805	2,186,290
	70,000	70,000	-	_	_	-	-	_
8,387	6,177,002	6,185,389	(29,206)	1,405,906	1,376,700	28,485	2,157,805	2,186,290
					<b>.</b>		45	,
208,965	214,076	5,111	81,074	109,874	28,800	46,775	40,485	(6,290)
	571,110	571,110	-	102,029	102,029	-	222,002	222,002
\$ 208,965	\$ 785,186	\$ 576,221	\$ 81,074	\$ 211,903	\$ 130,829	\$ 46,775	\$ 262,487	\$ 215,712

### **Agency Fund**

**Agency Fund** 

To account for assets held by the District as an agent for student organizations.

### Student Activity Fund Statement of Changes in Assets and Liabilities

Year ended June 30, 2008	Balance, July 1, 2007		Additions		Deletions	J	Balance, une 30, 2008
Tear craces time 20, 2000	<i>vary</i> 1, 2007		Traditions		Beletions	-	<u>une 20, 2000</u>
Assets							
Cash and deposits	\$ 47,506	\$	2,932,626	\$	2,900,104	\$	80,028
Interest receivable	3,303		1,405		3,303		1,405
Investments	1,461,711		703,328		606,938		1,558,101
Total Assets	\$ 1,512,520	\$	3,637,359	\$	3,510,345	\$	1,639,534
Liabilities							
Accounts payable	\$ 18,518	\$	1,937,766	\$	1,929,748	\$	26,536
Due to other governmental units	1,387	·	29,099	·	29,282	·	1,204
Due to student groups	1,492,615		2,593,704		2,474,525		1,611,794
Total Liabilities	\$ 1,512,520	\$	4,560,569	\$	4,433,555	\$	1,639,534

### **Capital Assets**

Ada Elementary (K-4): Land and improvements \$ 433,154 \$ - \$ - \$ 433,154 Buildings and improvements 5,311,526 - 42,075 5,269,451 Machinery, office equipment and furniture Construction in progress - 311 - 311  Collins Elementary (K-4): Land and improvements 93,683 - 93,683 Buildings and improvements 4,756,669 - 94,756,669 Machinery, office equipment and furniture 832,775 - 94,756,669 Machinery, office equipment and furniture 832,775 - 94,756,669 Machinery, office equipments 439,095 - 94,756,669 Machinery, office equipment and furniture 832,775 - 94,756,669 Machinery, office equipment and furniture 832,775 - 94,756,669 Machinery, office equipment and furniture 832,775 - 94,756,669 Machinery, office equipment and furniture 865,765 - 94,756,669 Machinery, office equipment and furniture 865,765 - 70,824 - 936,589 Construction in progress - 19,989 - 19,989  Pine Ridge Elementary (K-4): Land and improvements 354,685 - 93,685 Buildings and improvements 5,469,414 - 95,469,414 Machinery, office equipment and furniture 888,064 27,100 - 895,164 Construction in progress - 16,434 - 16,434  Thornapple Elementary (K-4): Land and improvements 624,837 - 95,469,414 Machinery, office equipment and furniture 766,122 - 97,766,122 Construction in progress 195,551 356,596 260,333 291,814  Ada Vista (K-6): Land and improvements 164,585 - 164,585 Buildings and improvements 5,415,938 5,902 - 5,421,840 Machinery, office equipment and furniture 489,615 - 94,89,615			Balance,						Balance,
Land and improvements	Year ended June 30, 2008		July 1, 2007		Additions		Deletions		June 30, 2008
Land and improvements	A 1 E1 (Z 4)								
Buildings and improvements         5,311,526         -         42,075         5,269,451           Machinery, office equipment and furniture         1,001,986         -         -         1,001,986           Construction in progress         -         311         -         311           Collins Elementary (K-4):         -         -         93,683         -         -         93,683           Buildings and improvements         93,683         -         -         4,756,669           Machinery, office equipment and furniture         832,775         -         -         832,775           Construction in progress         -         6,200         -         6,200           Meadow Brook Elementary (K-4):         -         -         439,095         -         -         439,095           Buildings and improvements         8,130,411         11,510         -         8,141,921         436,589         -         -         936,589           Construction in progress         -         19,989         -         19,989         -         19,989           Pine Ridge Elementary (K-4):         -         -         354,685         -         -         354,685           Buildings and improvements         5,469,414         -		Ф	422 154	ф		ф		ф	422.154
Machinery, office equipment and furniture Construction in progress         1,001,986         -         -         1,001,986           Construction in progress         -         311         -         311           Collins Elementary (K-4):         Standard improvements         93,683         -         -         93,683           Buildings and improvements         4,756,669         -         -         4756,669           Machinery, office equipment and furniture         832,775         -         -         832,775           Construction in progress         -         6,200         -         6,200           Meadow Brook Elementary (K-4):         Standard improvements         8,130,411         11,510         -         439,095           Buildings and improvements         865,765         70,824         -         936,589           Construction in progress         -         19,989         -         19,989           Pine Ridge Elementary (K-4):         Standard improvements         354,685         -         -         354,685           Buildings and improvements         354,685         -         -         354,685           Buildings and improvements         5,469,414         -         -         5,469,414           Machinery, office equipment and f	-	\$		\$	-	\$	40.075	\$	
Construction in progress         -         311         -         311           Collins Elementary (K-4):         Land and improvements         93,683         -         -         93,683           Buildings and improvements         4,756,669         -         -         4,756,669           Machinery, office equipment and furniture         832,775         -         -         832,775           Construction in progress         -         6,200         -         6,200           Meadow Brook Elementary (K-4):         Land and improvements         439,095         -         -         439,095           Buildings and improvements         8,130,411         11,510         -         8,141,921           Machinery, office equipment and furniture         865,765         70,824         -         936,589           Construction in progress         -         19,989         -         19,989           Pine Ridge Elementary (K-4):         Land and improvements         354,685         -         -         354,685           Buildings and improvements         5,469,414         -         -         5,469,414           Machinery, office equipment and furniture         868,064         27,100         -         895,164           Construction in progress         <					-		42,075		
Collins Elementary (K-4):   Land and improvements   93,683   -   -   93,683     Buildings and improvements   4,756,669   -   -   4,756,669     Machinery, office equipment and furniture   832,775   -   -   832,775     Construction in progress   -   6,200   -   6,200     Meadow Brook Elementary (K-4):   Land and improvements   439,095   -   -   439,095     Buildings and improvements   8,130,411   11,510   -   8,141,921     Machinery, office equipment and furniture   865,765   70,824   -   936,589     Construction in progress   -   19,989   -   19,989     Pine Ridge Elementary (K-4):   Land and improvements   354,685   -   -   354,685     Buildings and improvements   5,469,414   -   -   5,469,414     Machinery, office equipment and furniture   868,064   27,100   -   895,164     Construction in progress   -   16,434   -   16,434    Thornapple Elementary (K-4):   Land and improvements   624,837   -   -   624,837     Buildings and improvements   4,454,574   260,333   -   4,714,907     Machinery, office equipment and furniture   766,122   -   -   766,122     Construction in progress   195,551   356,596   260,333   291,814    Ada Vista (K-6):   Land and improvements   164,585   -   -   164,585     Buildings and improvements   5,415,938   5,902   -   5,421,840     Machinery, office equipment and furniture   489,615   -   -   489,615			1,001,986		-		-		
Land and improvements         93,683         -         -         93,683           Buildings and improvements         4,756,669         -         -         4,756,669           Machinery, office equipment and furniture         832,775         -         -         832,775           Construction in progress         -         6,200         -         6,200           Meadow Brook Elementary (K-4):         -         -         6,200         -         439,095           Buildings and improvements         439,095         -         -         439,095           Buildings and improvements         8,130,411         11,510         -         8,141,921           Machinery, office equipment and furniture         865,765         70,824         -         936,589           Construction in progress         -         19,989         -         19,989           Pine Ridge Elementary (K-4):         -         -         354,685         -         -         354,685           Buildings and improvements         5,469,414         -         -         354,685         -         -         354,685           Buildings and improvements         624,837         -         16,434         -         16,434           Thornapple Elementary (K-4): <td>Construction in progress</td> <td></td> <td>-</td> <td></td> <td>311</td> <td></td> <td>-</td> <td></td> <td>311</td>	Construction in progress		-		311		-		311
Land and improvements         93,683         -         -         93,683           Buildings and improvements         4,756,669         -         -         4,756,669           Machinery, office equipment and furniture         832,775         -         -         832,775           Construction in progress         -         6,200         -         6,200           Meadow Brook Elementary (K-4):         -         -         6,200         -         439,095           Buildings and improvements         439,095         -         -         439,095           Buildings and improvements         8,130,411         11,510         -         8,141,921           Machinery, office equipment and furniture         865,765         70,824         -         936,589           Construction in progress         -         19,989         -         19,989           Pine Ridge Elementary (K-4):         -         -         354,685         -         -         354,685           Buildings and improvements         5,469,414         -         -         354,685         -         -         354,685           Buildings and improvements         624,837         -         16,434         -         16,434           Thornapple Elementary (K-4): <td>Collins Elementary (K-4):</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td>	Collins Elementary (K-4):								
Buildings and improvements         4,756,669         -         -         4,756,669           Machinery, office equipment and furniture         832,775         -         -         832,775           Construction in progress         -         6,200         -         6,200           Meadow Brook Elementary (K-4):         -         -         439,095           Land and improvements         8,130,411         11,510         -         8,141,921           Machinery, office equipment and furniture         865,765         70,824         -         936,589           Construction in progress         -         19,989         -         19,989           Pine Ridge Elementary (K-4):         Land and improvements         354,685         -         -         354,685           Buildings and improvements         5,469,414         -         -         5,469,414           Machinery, office equipment and furniture         868,064         27,100         -         895,164           Construction in progress         -         16,434         -         16,434           Thornapple Elementary (K-4):         Land and improvements         4,454,574         260,333         -         4,714,907           Machinery, office equipment and furniture         766,122         - </td <td>The state of the s</td> <td></td> <td>93,683</td> <td></td> <td>_</td> <td></td> <td>_</td> <td></td> <td>93,683</td>	The state of the s		93,683		_		_		93,683
Machinery, office equipment and furniture Construction in progress         832,775         -         -         832,775           Construction in progress         -         -         6,200         -         6,200           Meadow Brook Elementary (K-4):         Land and improvements         439,095         -         -         439,095           Buildings and improvements         8,130,411         11,510         -         8,141,921           Machinery, office equipment and furniture         865,765         70,824         -         936,589           Construction in progress         -         19,989         -         19,989           Pine Ridge Elementary (K-4):         -         -         354,685         -         -         354,685           Buildings and improvements         5,469,414         -         -         5,469,414           Machinery, office equipment and furniture         868,064         27,100         -         895,164           Construction in progress         -         16,434         -         16,434           Thornapple Elementary (K-4):         -         -         624,837           Buildings and improvements         4,454,574         260,333         -         4,714,907           Machinery, office equipment and					_		_		
Construction in progress         -         6,200         -         6,200           Meadow Brook Elementary (K-4):         439,095         -         -         439,095           Buildings and improvements         8,130,411         11,510         -         8,141,921           Machinery, office equipment and furniture         865,765         70,824         -         936,589           Construction in progress         -         19,989         -         19,989           Pine Ridge Elementary (K-4):         -         19,989         -         19,989           Pine Ridge Elementary (K-4):         -         -         354,685         -         -         354,685           Buildings and improvements         5,469,414         -         -         5,469,414           Machinery, office equipment and furniture         868,064         27,100         -         895,164           Construction in progress         -         16,434         -         16,434           Thornapple Elementary (K-4):         -         -         624,837         -         -         624,837           Buildings and improvements         4,454,574         260,333         -         4,714,907           Machinery, office equipment and furniture         766,122					-		_		
Meadow Brook Elementary (K-4):       439,095       -       -       439,095         Buildings and improvements       8,130,411       11,510       -       8,141,921         Machinery, office equipment and furniture       865,765       70,824       -       936,589         Construction in progress       -       19,989       -       19,989         Pine Ridge Elementary (K-4):       -       -       354,685       -       -       354,685         Buildings and improvements       5,469,414       -       -       5,469,414         Machinery, office equipment and furniture       868,064       27,100       -       895,164         Construction in progress       -       16,434       -       16,434         Thornapple Elementary (K-4):       -       16,434       -       16,434         Land and improvements       624,837       -       -       624,837         Buildings and improvements       4,454,574       260,333       -       4,714,907         Machinery, office equipment and furniture       766,122       -       -       766,122         Construction in progress       195,551       356,596       260,333       291,814         Ada Vista (K-6):         Land and improve			-		6,200		_		
Land and improvements       439,095       -       -       439,095         Buildings and improvements       8,130,411       11,510       -       8,141,921         Machinery, office equipment and furniture       865,765       70,824       -       936,589         Construction in progress       -       19,989       -       19,989         Pine Ridge Elementary (K-4):       -       -       354,685       -       -       354,685         Buildings and improvements       5,469,414       -       -       5,469,414         Machinery, office equipment and furniture       868,064       27,100       -       895,164         Construction in progress       -       16,434       -       16,434         Thornapple Elementary (K-4):       -       -       624,837       -       -       624,837         Buildings and improvements       4,454,574       260,333       -       4,714,907         Machinery, office equipment and furniture       766,122       -       -       766,122         Construction in progress       195,551       356,596       260,333       291,814         Ada Vista (K-6):       -       -       -       164,585         Buildings and improvements       164,585 </td <td>1 0</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td>	1 0								
Buildings and improvements         8,130,411         11,510         -         8,141,921           Machinery, office equipment and furniture         865,765         70,824         -         936,589           Construction in progress         -         19,989         -         19,989           Pine Ridge Elementary (K-4):         Secondary of the progress         -         -         354,685           Buildings and improvements         5,469,414         -         -         5,469,414           Machinery, office equipment and furniture         868,064         27,100         -         895,164           Construction in progress         -         16,434         -         16,434           Thornapple Elementary (K-4):         Secondary of the provements         4,454,574         260,333         -         4,714,907           Machinery, office equipment and furniture         766,122         -         -         766,122           Construction in progress         195,551         356,596         260,333         291,814           Ada Vista (K-6):         Secondary of the provents         -         -         -         766,122           Land and improvements         164,585         -         -         -         164,585           Buildings and improveme	Meadow Brook Elementary (K-4):								
Machinery, office equipment and furniture       865,765       70,824       -       936,589         Construction in progress       -       19,989       -       19,989         Pine Ridge Elementary (K-4):       -       -       354,685       -       -       354,685         Buildings and improvements       5,469,414       -       -       5,469,414         Machinery, office equipment and furniture       868,064       27,100       -       895,164         Construction in progress       -       16,434       -       16,434         Thornapple Elementary (K-4):       -       -       624,837         Land and improvements       624,837       -       -       624,837         Buildings and improvements       4,454,574       260,333       -       4,714,907         Machinery, office equipment and furniture       766,122       -       -       766,122         Construction in progress       195,551       356,596       260,333       291,814         Ada Vista (K-6):         Land and improvements       164,585       -       -       164,585         Buildings and improvements       5,415,938       5,902       -       5,421,840         Machinery, office equipment and furniture	Land and improvements		439,095		-		-		439,095
Construction in progress       -       19,989       -       19,989         Pine Ridge Elementary (K-4):       Land and improvements       354,685       -									

Year ended June 30, 2008		Balance, July 1, 2007		Additions	Deletions		Balance, June 30, 2008
Knapp Forest Elementary (K-6):							
Land and improvements	\$	133,065	\$	47,904	\$ _	\$	180,969
Buildings and improvements	·	14,013,605	·	, -	_	·	14,013,605
Machinery, office equipment and furniture		1,048,247		-	-		1,048,247
Orchard View Elementary (K-6):							
Land and improvements		265,610		-	-		265,610
Buildings and improvements		4,369,221		-	-		4,369,221
Machinery, office equipment and furniture		910,869		7,053	-		917,922
Construction in progress		-		678,509	-		678,509
Central Woodlands Elementary (5-6):							
Land and improvements		984,772		-	-		984,772
Buildings and improvements		15,271,395		-	-		15,271,395
Machinery, office equipment and furniture		1,636,526		-	-		1,636,526
Goodwillie Environmental School (5-6):							
Land and improvements		551,620		-	-		551,620
Buildings and improvements		2,289,887		-	-		2,289,887
Machinery, office equipment and furniture		134,394		20,972	-		155,366
Northern Trails Elementary (5-6):							
Land and improvements		1,045,780		-	-		1,045,780
Buildings and improvements		14,159,952		-	-		14,159,952
Machinery, office equipment and furniture		1,758,377		-	-		1,758,377
Construction in progress		-		91,675	-		91,675
Central Middle (7-8):							
Land and improvements		239,151		-	-		239,151
Buildings and improvements		9,090,205		-	-		9,090,205
Machinery, office equipment and furniture		1,747,858		-	-		1,747,858

V	Balance,	Additions	Deletions	Balance, June 30, 2008
Year ended June 30, 2008	July 1, 2007	Additions	Deletions	June 30, 2008
Northern Middle (7-8):				
Land and improvements	\$ 243,642	\$ -	\$ -	\$ 243,642
Buildings and improvements	13,330,394	-	-	13,330,394
Machinery, office equipment and furniture	1,638,759	5,617	-	1,644,376
Construction in progress	-	847,712	-	847,712
Eastern Middle/High (7-12):				
Land and improvements	637,354	5,100	-	642,454
Buildings and improvements	48,348,231	15,120	38,768	48,324,583
Machinery, office equipment and furniture	2,461,602	7,250	-	2,468,852
Telephone	8,558	-	-	8,558
Library/media books	115,842	-	-	115,842
Central High (9-12):				
Land and improvements	1,648,892	-	-	1,648,892
Buildings and improvements	25,001,386	-	-	25,001,386
Machinery, office equipment and furniture	4,167,320	70,784	-	4,238,104
Construction in progress	-	33,785	-	33,785
Northern High (9-12):				
Land and improvements	1,328,744	-	-	1,328,744
Buildings and improvements	27,632,673	8,799	70,170	27,571,302
Machinery, office equipment and furniture	3,660,275	50,725	-	3,711,000
Construction in progress	-	1,731,307	-	1,731,307
Alternative Education (9-12):				
Buildings and improvements	1,337,528	12,920	-	1,350,448
Machinery, office equipment and furniture	31,738	-	-	31,738
Construction in progress	-	1,676	-	1,676
Administration Building:				
Land and improvements	102,422	-	-	102,422
Buildings and improvements	4,960,088	-	-	4,960,088
Machinery, office equipment and furniture	5,599,609	125,110	-	5,724,719
Telephone	2,380	-	-	2,380

Year ended June 30, 2008		Balance, July 1, 2007		Additions		Deletions		Balance, June 30, 2008
Buildings and Grounds Facility:								
Land and improvements	\$	542,327	\$	_	\$	_	\$	542,327
Buildings and improvements	Ψ	1,003,367	Ψ	-	Ψ	_	Ψ	1,003,367
Machinery, office equipment and furniture		211,304		-		-		211,304
Buses and Automobiles		7,387,436		-		399,229		6,988,207
Buttrick Property:								
Land and improvements		458,879		-		-		458,879
Buildings and improvements		12,112		-		-		12,112
Central High Artificial Turf Athletic Field:								
Land and improvements		702,028		-		-		702,028
Central Kitchen - Food Service:								
Land and improvements		81,915		-		-		81,915
Buildings and improvements		969,584		-		-		969,584
Machinery, office equipment and furniture		15,790		-		-		15,790
Community Education:								
Buildings and improvements		5,162		-		-		5,162
Machinery, office equipment and furniture		4,504		-		-		4,504
Crew Building:								
Buildings and improvements		187,615		-		-		187,615
Machinery, office equipment and furniture		200,361		-		-		200,361
Fine Arts Facility:								
Land and improvements		32,809		10,000		-		42,809
Buildings and improvements		15,865,753		-		-		15,865,753
Machinery, office equipment and furniture		1,147,336		-		-		1,147,336
Construction in progress		-		1,531		-		1,531
Knapp & Pettis House and Garage:								
Land and improvements		514,587		-		-		514,587
Buildings and improvements		9,271		-		-		9,271
Machinery, office equipment and furniture		12,086		-		-		12,086

Year ended June 30, 2008	Balance, July 1, 2007	Additions	Deletions	Balance, June 30, 2008
Operations and Maintenance: Machinery, office equipment and furniture	\$ 72,978	\$ 15,679	\$ -	\$ 88,657
Pool:				
Land and improvements	84,328	-	-	84,328
Buildings and improvements	2,949,465	6,448	-	2,955,913
Machinery, office equipment and furniture	177,649	-	-	177,649
Construction in progress	-	409	-	409
Senior Learning Center:				
Machinery, office equipment and furniture	43,952	-	-	43,952
Special Services Building:				
Land and improvements	22,737	-	-	22,737
Buildings and improvements	202,839	-	-	202,839
Machinery, office equipment and furniture	200,464	-	-	200,464
Transportation Facility/Maintenance Storage:				
Land and improvements	96,410	-	-	96,410
Buildings and improvements	2,332,809	-	-	2,332,809
Machinery, office equipment and furniture	728,246	8,040	-	736,286
District Wide:				
Machinery, office equipment and furniture	12,040	_	_	12,040
Telephone	1,227,108	_	_	1,227,108
Library books and material	1,489,414	-	-	1,489,414
Land:				
Fulton/Spaulding	101,766	-	-	101,766
	\$ 291,682,851	\$ 4,587,551	\$ 810,575	\$ 295,459,827

### Schedules of Debt Service Requirements

#### 1999 Refunding Bonds Bonded Debt

This issue consists of 16 bonds ranging in denominations from \$3,600,000 to \$4,075,000 dated March 1, 1999, with interest payable on May 1 and November 1 of each year. During the current year maturities of \$3,450,000 were paid. The following summary presents the bonds outstanding at June 30, 2008, together with the semiannual interest requirements. The interest requirement is computed on the entire outstanding bond issue and represents the semiannual interest requirement to be paid on the bond issue with no prior redemptions. The total bonds outstanding after the payment of each annual principal requirement are also shown.

	Requirements						
	Interest						Bonds
Payment Date	Rate	Principal		Interest		Total	Outstanding
November 1, 2008	4.15 \$	-	\$	670,669	\$	670,669	\$ -
May 1, 2009	4.15	3,600,000		670,669		4,270,669	24,450,000
November 1, 2009	4.25	-		595,969		595,969	-
May 1, 2010	4.25	4,075,000		595,969		4,670,969	20,375,000
November 1, 2010	5.00	-		509,375		509,375	-
May 1, 2011	5.00	4,075,000		509,375		4,584,375	16,300,000
November 1, 2011	5.00	-		407,500		407,500	-
May 1, 2012	5.00	4,075,000		407,500		4,482,500	12,225,000
November 1, 2012	5.00	-		305,625		305,625	_
May 1, 2013	5.00	4,075,000		305,625		4,380,625	8,150,000
November 1, 2013	5.00	-		203,750		203,750	_
May 1, 2014	5.00	4,075,000		203,750		4,278,750	4,075,000
November 1, 2014	5.00	-		101,875		101,875	-
May 1, 2015	5.00	4,075,000		101,875		4,176,875	
	\$	5 28,050,000	\$ 3	5,589,526	\$ :	33,639,526	

### 2000 Building and Site Bonds Bonded Debt

This issue consists of 21 bonds ranging in denominations from \$3,075,000 to \$4,000,000 dated November 1, 2000, with interest payable on May 1 and November 1 of each year. During the current year maturities of \$2,675,000 were paid. The following summary presents the bonds outstanding at June 30, 2008, together with the semiannual interest requirements. The interest requirement is computed on the entire outstanding bond issue and represents the semiannual interest requirement to be paid on the bond issue with no prior redemptions. The total bonds outstanding after the payment of each annual principal requirement are also shown.

	Requirements								
	Interest							Bonds	
Payment Date	Rate	Principal		Interest		Total		Outstanding	
November 1, 2008	5.25 \$	-	\$	185,718	\$	185,718	\$	-	
May 1, 2009	5.25	3,075,000		185,718		3,260,718		4,000,000	
November 1, 2009	5.25	-		105,000		105,000		-	
May 1, 2010	5.25	4,000,000		105,000		4,105,000		-	
	9	7,075,000	\$	581,436	\$	7,656,436			

#### 2002 Refunding Bonds Bonded Debt

This issue consists of bonds ranging in denominations from \$5,000 to \$1,000,000 dated March 26, 2002, with interest payable on May 1 and November 1 of each year. The following summary presents the bonds outstanding at June 30, 2008, together with the semiannual interest requirements. The interest requirement is computed on the entire outstanding bond issue and represents the semiannual interest requirement to be paid on the bond issue with no prior redemptions. The total bonds outstanding after payment of each annual principal requirement are also shown.

	Interest				Bonds
Payment Date	Rate	Principal	Interest	Total	Outstanding
November 1, 2008	3.90 \$	-	\$ 241,851	\$ 241,851	\$ -
May 1, 2009	3.90	100,000	241,851	341,851	9,860,000
November 1, 2009	4.10	_	239,901	239,901	-
May 1, 2010	4.10	1,775,000	239,901	2,014,901	8,085,000
November 1, 2010	4.20	-	203,513	203,513	-
May 1, 2011	4.20	1,735,000	203,513	1,938,513	6,350,000
November 1, 2011	4.25	-	167,078	167,078	-
May 1, 2012	4.25	1,675,000	167,078	1,842,078	4,675,000
November 1, 2012	5.63	-	131,484	131,484	-
May 1, 2013	5.63	1,590,000	131,484	1,721,484	3,085,000
November 1, 2013	5.63	-	86,766	86,766	-
May 1, 2014	5.63	1,555,000	86,766	1,641,766	1,530,000
November 1, 2014	5.63	-	43,031	43,031	-
May 1, 2015	5.63	1,530,000	43,031	1,573,031	-
	\$	9,960,000	\$ 2,227,248	\$12,187,248	

Bonds or portions of bonds in multiples of \$5,000 are subject to redemption at the option of the District on any interest payment date on or after May 1, 2013, at par value and accrued interest to the date fixed for redemption.

### 2004 Building and Site Bonds Bonded Debt

This issue consists of 20 bonds ranging in denominations from \$125,000 to \$2,250,000 dated May 1, 2004, with interest payable on May 1 and November 1 of each year. The following summary presents the bonds outstanding at June 30, 2008, together with the semiannual interest requirements. The interest requirement is computed on the entire outstanding bond issue and represents the semiannual interest requirement to be paid on the bond issue with no prior redemptions. The total bonds outstanding after the payment of each annual principal requirement are also shown.

	Requirements					
	Interest				Bonds	
Payment Date	Rate	Principal	Interest	Total	Outstanding	
November 1, 2008	3.25 \$	_	\$ 591,109	\$ 591,109	\$ -	
May 1, 2009	3.25	900,000	591,109	1,491,109	26,475,000	
November 1, 2009	3.50	-	576,484	576,484	-	
May 1, 2010	3.50	950,000	576,484	1,526,484	25,525,000	
November 1, 2010	3.63	-	559,859	559,859	-	
May 1, 2011	3.63	975,000	559,859	1,534,859	24,550,000	
November 1, 2011	4.00	-	542,188	542,188	-	
May 1, 2012	4.00	1,025,000	542,188	1,567,188	23,525,000	
November 1, 2012	4.00	-	521,688	521,688	-	
May 1, 2013	4.00	1,050,000	521,688	1,571,688	22,475,000	
November 1, 2013	4.00	-	500,688	500,688	-	
May 1, 2014	4.00	1,100,000	500,688	1,600,688	21,375,000	
November 1, 2014	4.00	-	478,688	478,688	-	
May 1, 2015	4.00	1,150,000	478,688	1,628,688	20,225,000	
November 1, 2015	4.00	-	455,688	455,688	-	
May 1, 2016	4.00	2,225,000	455,688	2,680,688	18,000,000	
November 1, 2016	4.13	-	411,188	411,188	-	
May 1, 2017	4.13	2,250,000	411,188	2,661,188	15,750,000	
November 1, 2017	4.25	-	364,781	364,781	-	

#### 2004 Building and Site Bonds Bonded Debt

	Requirements					
	Interest				Bonds	
Payment Date	Rate	Principal	Inter	rest Total	Outstanding	
May 1, 2018	4.25 \$	2,250,000	\$ 364,7	781 \$ 2,614,781	\$13,500,000	
November 1, 2018	4.30	-	316,9	316,969	_	
May 1, 2019	4.30	2,250,000	316,9	2,566,969	11,250,000	
November 1, 2019	4.38	_	268,5	594 268,594	_	
May 1, 2020	4.38	2,250,000	268,5	594 2,518,594	9,000,000	
November 1, 2020	4.50	_	219,3	375 219,375	_	
May 1, 2021	4.50	2,250,000	219,3	375 2,469,375	6,750,000	
November 1, 2021	5.00	_	168,7	750 168,750	_	
May 1, 2022	5.00	2,250,000	168,7	2,418,750	4,500,000	
November 1, 2022	5.00	_	112,5	500 112,500	_	
May 1, 2023	5.00	2,250,000	112,5	2,362,500	2,250,000	
November 1, 2023	5.00	_	56,2	250 56,250	_	
May 1, 2024	5.00	2,250,000	56,2	250 2,306,250		
	\$	27,375,000	\$ 12,289,5	598 \$ 39,664,598		

#### 2005 Refunding Bonds Bonded Debt

This issue consists of bonds ranging in denominations from \$1,225,000 to \$11,000,000 dated August 9, 2005, with interest payable on May 1 and November 1 of each year. The following summary presents the bonds outstanding at June 30, 2008, together with the semiannual interest requirements. The interest requirement is computed on the entire outstanding bond issue and represents the semiannual interest requirement to be paid on the bond issue with no prior redemptions. The total bonds outstanding after payment of each annual principal requirement are also shown.

		_			
	Interest				Bonds
Payment Date	Rate	Principal	Interest	Total	Outstanding
November 1, 2008	3.00 \$	-	\$ 2,400,875	\$ 2,400,875	\$ -
May 1, 2009	3.00	2,600,000	2,400,875	5,000,875	94,475,000
November 1, 2009	5.00	-	2,361,875	2,361,875	-
May 1, 2010	5.00	-	2,361,875	2,361,875	94,475,000
November 1, 2010	5.00	-	2,361,875	2,361,875	-
May 1, 2011	5.00	4,500,000	2,361,875	6,861,875	89,975,000
November 1, 2011	5.00	-	2,249,375	2,249,375	-
May 1, 2012	5.00	5,025,000	2,249,375	7,274,375	84,950,000
November 1, 2012	5.00	-	2,123,750	2,123,750	-
May 1, 2013	5.00	5,600,000	2,123,750	7,723,750	79,350,000
November 1, 2013	5.00	-	1,983,750	1,983,750	-
May 1, 2014	5.00	6,200,000	1,983,750	8,183,750	73,150,000
November 1, 2014	5.00	-	1,828,750	1,828,750	-
May 1, 2015	5.00	6,850,000	1,828,750	8,678,750	66,300,000
November 1, 2015	5.00	-	1,657,500	1,657,500	-
May 1, 2016	5.00	11,150,000	1,657,500	12,807,500	55,150,000
November 1, 2016	5.00	-	1,378,750	1,378,750	-
May 1, 2017	5.00	11,100,000	1,378,750	12,478,750	44,050,000
November 1, 2017	5.00	-	1,101,250	1,101,250	-

#### 2005 Refunding Bonds Bonded Debt

		Requirements					
	Interest				Bonds		
Payment Date	Rate	Principal	Interest	Total	Outstanding		
May 1, 2018	5.00 \$	11,050,000	\$ 1,101,250	\$ 12,151,250	\$ 33,000,000		
November 1, 2018	5.00	-	825,000	825,000	-		
May 1, 2019	5.00	11,025,000	825,000	11,850,000	21,975,000		
November 1, 2019	5.00	_	549,375	549,375	-		
May 1, 2020	5.00	10,975,000	549,375	11,524,375	11,000,000		
November 1, 2020	5.00	-	275,000	275,000	-		
May 1, 2021	5.00	11,000,000	275,000	11,275,000	-		
	\$	97,075,000	\$ 42,194,250	\$ 139,269,250			

### 2007 Building and Site Bonds Bonded Debt

This issue consists of bonds ranging in denominations from \$1,225,000 to \$11,000,000 dated June 27, 2007, with interest payable on May 1 and November 1 of each year. The following summary presents the bonds outstanding at June 30, 2008, together with the semiannual interest requirements. The interest requirement is computed on the entire outstanding bond issue and represents the semiannual interest requirement to be paid on the bond issue with no prior redemptions. The total bonds outstanding after payment of each annual principal requirement are also shown.

			_		
	Interest				Bonds
Payment Date	Rate	Principal	Interest	Total	Outstanding
November 1, 2008	4.00 \$	-	\$ 1,120,563	\$ 1,120,563	\$ -
May 1, 2009	4.00	200,000	1,120,562	1,320,562	46,475,000
November 1, 2009	4.00	-	1,116,563	1,116,563	-
May 1, 2010	4.00	300,000	1,116,562	1,416,562	46,175,000
November 1, 2010	4.00	-	1,110,563	1,110,563	-
May 1, 2011	4.00	300,000	1,110,562	1,410,562	45,875,000
November 1, 2011	4.00	-	1,104,563	1,104,563	-
May 1, 2012	4.00	1,125,000	1,104,562	2,229,562	44,750,000
November 1, 2012	4.00	-	1,082,063	1,082,063	-
May 1, 2013	4.00	1,200,000	1,082,062	2,282,062	43,550,000
November 1, 2013	4.00	-	1,058,063	1,058,063	-
May 1, 2014	4.00	1,200,000	1,058,062	2,258,062	42,350,000
November 1, 2014	5.00	-	1,034,063	1,034,063	-
May 1, 2015	5.00	1,250,000	1,034,062	2,284,062	41,100,000
November 1, 2015	4.00	-	1,002,813	1,002,813	-
May 1, 2016	4.00	2,200,000	1,002,812	3,202,812	38,900,000
November 1, 2016	5.00	-	958,813	958,813	-
May 1, 2017	5.00	3,000,000	958,812	3,958,812	35,900,000
November 1, 2017	5.00	-	883,813	883,813	-
May 1, 2018	5.00	3,150,000	883,812	4,033,812	32,750,000
November 1, 2018	5.00	-	805,063	805,063	-

#### 2007 Building and Site Bonds Bonded Debt

			Requirements		_	
	Interest				_	Bonds
Payment Date	Rate	Principal	Interest	Total		Outstanding
May 1, 2019	5.00 \$	3,250,000	\$ 805,062	\$ 4,055,062	\$	29,500,000
November 1, 2019	5.00	-	723,813	723,813		-
May 1, 2020	5.00	3,350,000	723,812	4,073,812		26,150,000
November 1, 2020	5.00	-	640,063	640,063		-
May 1, 2021	5.00	3,450,000	640,062	4,090,062		22,700,000
November 1, 2021	4.75	-	553,813	553,813		-
May 1, 2022	4.75	3,550,000	553,812	4,103,812		19,150,000
November 1, 2022	4.75	-	469,500	469,500		-
May 1, 2023	4.75	3,650,000	469,500	4,119,500		15,500,000
November 1, 2023	4.75	-	382,813	382,813		-
May 1, 2024	4.75	3,750,000	382,812	4,132,812		11,750,000
November 1, 2024	5.00	-	293,750	293,750		-
May 1, 2025	5.00	3,850,000	293,750	4,143,750		7,900,000
November 1, 2025	5.00	-	197,500	197,500		-
May 1, 2026	5.00	3,950,000	197,500	4,147,500		3,950,000
November 1, 2026	5.00	-	98,750	98,750		-
May 1, 2027	5.00	3,950,000	98,750	4,048,750		
	\$	46,675,000	\$ 29,273,875	\$ 75,948,875		

# Statistical Section (unaudited)

			Fiscal
Year ended June 30,	2003	2004	2005
<b>Governmental Activities</b>			
Invested in capital assets, net of related debt	\$ 30,774,992	\$ 26,943,753	\$30,540,201
Restricted	448,482	1,779,998	314,592
Unrestricted	10,248,173	11,896,997	5,201,759
<b>Total Primary Government Net Assets</b>	\$ 41,471,647	\$ 40,620,748	\$36,056,552

**Note:** The District began to report accrual information when it implemented GASB Statement 34 in 2003.

Net Assets by Component, Last Six Fiscal Years (accrual basis of accounting)

Year		
2006	2007	2008
\$ 30,854,647	\$ 28,229,402	\$ 29,090,440
468,413	1,645,932	1,035,270
6,972,658	11,132,881	15,835,734
\$ 38,295,718	\$ 41,008,215	\$ 45,961,444

			Fiscal
Year ended June 30,	2003	2004	2005
Expenses			
Governmental activities			
Instruction	\$ 46,133,690	\$ 49,647,908	\$ 54,937,471
Student support services	5,243,562	5,688,364	6,819,668
Instructional support services	2,068,142	1,687,485	1,959,340
General administration	591,591	585,298	1,104,985
School administration	3,528,240	4,073,520	4,820,730
Business services	1,037,773	819,864	1,003,489
Food service	1,849,230	2,072,870	2,330,818
Other support services	2,485,921	2,999,216	2,356,945
Student transportation services	4,621,489	4,828,589	4,871,482
Operation and maintenance of plant	7,710,943	8,545,595	9,316,411
Athletic services	1,435,679	1,441,050	2,023,653
Community services	1,085,195	1,476,795	1,734,824
Child care services	1,149,160	1,216,921	1,227,149
Interest on long-term debt	9,968,405	9,381,273	10,548,460
Unallocated depreciation	5,058,909	7,396,700	7,674,026
Total expenses	93,967,929	101,861,448	112,729,451
Program Revenues			
Governmental activities			
Charges for services:			
Instruction	195,101	445,954	503,244
Food service	1,611,502	1,769,919	1,926,275
Athletic services	305,954	353,060	347,570
Child care services	1,182,427	1,127,826	1,274,098
Community services	310,378	220,841	467,186
Miscellaneous	655,309	322,050	328,119
Operating grants and contributions	7,454,554	7,836,997	9,819,542
	., . ,	, ,	, - ,
Total program revenues	11,715,225	12,076,647	14,666,034
Net (Expense) Revenue	\$ (82,252,704)	\$ (89,784,801)	\$ (98,063,417)

**Note:** The District began to report accrual information when it implemented GASB Statement 34 in 2003.

Expenses, Program Revenues and Net (Expense) Revenue Last Six Fiscal Years (accrual basis of accounting)

Year 2006	2007	2008
2000	2007	2000
Ф. 52.002.661	Φ 56 651 404	Ф. 70.160.200
\$ 53,993,661	\$ 56,651,424	\$ 58,169,308
6,190,994	6,620,964	6,889,295
2,429,392	2,722,615	2,815,867
891,896	784,394	736,642
4,890,382	5,319,517	5,375,330
1,632,706	1,843,557	1,506,900
2,360,259	2,504,952	9,379,842
2,253,290	2,728,623	5,293,041
4,765,529	5,001,708	2,216,987
9,523,954	10,014,151	1,833,943
2,015,590	2,088,151	2,534,990
1,812,367	1,778,632	2,162,420
1,247,056	1,267,882	1,392,902
7,653,812	8,889,100	10,342,556
10,182,215	9,017,450	8,610,878
111,843,103	117,233,120	119,260,901
371,007	494,195	165,269
2,104,339	2,178,885	2,176,046
444,443	408,393	498,290
1,208,488	1,245,260	1,492,250
501,834	545,421	795,534
329,837	237,592	211,807
11,370,022	11,356,437	12,318,160
16,329,970	16,466,183	17,657,356
\$ (95,513,133)	\$(100,766,937)	\$(101,603,545

			Fiscal
Year ended June 30,	2003	2004	2005
Net (Expense) Revenue	\$(82,252,704)	\$ (89,784,801)	\$(98,063,417)
General Revenues			
Governmental activities			
Taxes:			
Property taxes levied for general purposes	14,619,352	15,159,705	15,575,058
Property taxes levied for debt service	17,289,946	18,121,880	16,764,976
Property taxes levied for recreation	-	-	2,518,483
Unrestricted state aid	50,887,556	52,386,062	55,802,799
Investment earnings	4,572,785	2,282,463	1,660,360
Gain on sale of assets	9,795	325,609	26,972
Miscellaneous	710,193	658,183	1,150,573
Total general revenues	88,089,627	88,933,902	93,499,221
Change in Net Assets	\$ 5,836,923	\$ (850,899)	\$ (4,564,196)

**Note:** The District began to report accrual information when it implemented GASB Statement 34 in 2003.

General Revenues and Total Change in Net Assets Last Six Fiscal Years (accrual basis of accounting)

Year		
2006	2007	2008
\$ (95,513,133)	\$(100,766,937)	\$(101,603,545)
16,708,463	18,465,773	19,437,552
17,826,100	18,417,140	19,316,870
2,513,453	2,918,894	3,066,012
58,574,462	61,294,570	60,883,356
1,259,842	1,478,194	2,966,748
57,264	87,001	44,561
751,791	817,862	841,675
97,691,375	103,479,434	106,556,774
		_
\$ 2,178,242	\$ 2,712,497	\$ 4,953,229

				Fiscal
June 30,	1999	2000	2001	2002
General Fund				
Reserved	\$ 1,428,407	\$ 906,385	\$ 248,904	\$ 205,325
Unreserved	21,297,883	15,972,282	15,395,168	15,466,080
Total General Fund	\$ 22,726,290	\$ 16,878,667	\$ 15,644,072	\$ 15,671,405
All Other Governmental Funds				
Reserved	\$ 102,078	\$ 255,915	\$ 5,229,437	\$ 52,349,483
Unreserved, reported in:				
Debt service fund	1,886,695	2,261,002	3,805,038	2,470,820
Capital projects funds	2,665,915	283,416	107,838,599	32,931,719
Special revenue funds	398,037	417,292	342,210	456,241
Total All Other Governmental Funds	\$ 5,052,725	\$ 3,217,625	\$ 117,215,284	\$ 88,208,263
			b	

#### **Notes:**

<sup>&</sup>lt;sup>a</sup> Decrease in general fund fund balance due to opening of new secondary facility and fine arts facility.

<sup>&</sup>lt;sup>b</sup> Increase in fund balance due to receipt of bond proceeds.

### Fund Balances, Governmental Funds, Last Ten Fiscal Years (modified accrual basis of accounting)

Year					
2003	2004	2005	2006	2007	2008
\$ 432,480	\$ 674,145	\$ 339,785	\$ 406,062	\$ 459,995	\$ 897,111
14,061,559	9,623,992	7,178,307	8,603,294	10,770,920	12,397,232
\$ 14,494,039	\$10,298,137	\$ 7,518,092	\$ 9,009,356	\$ 11,230,915	\$ 13,294,343
	a	a			
\$ 83,098	\$ 102,765	\$ 25,064	\$ 1,440,466	\$ 272,898	\$ 19,770,771
2,546,244	3,390,073	2,169,484	1,954,613	3,091,300	2,423,578
43,882,161	38,198,696	12,618,339	5,602,177	51,065,942	29,237,546
500,260	451,334	285,788	427,527	419,724	760,640
\$47,011,763	\$42,142,868	\$15,098,675	\$ 9,424,783	\$ 54,849,864	\$ 52,192,535

				Fiscal
Year ended June 30,	1999	2000	2001	2002
Revenues				
Federal Sources				
Federal grants	\$ 1,010,851	\$ 1,136,076	\$ 964,285	\$ 1,236,910
Food service fund	140,357	165,130	191,415	189,255
Total federal sources	1,151,208	1,301,206	1,155,700	1,426,165
State Sources				
Restricted	283,589	268,043	3,382,870	3,336,116
Unrestricted	41,868,077	44,520,477	46,303,466	49,305,103
Total state sources	42,151,666	44,788,520	49,686,336	52,641,219
Other Governmental Units				
Kent ISD Act 18 special education millage	1,868,350	2,372,908	2,400,585	2,368,429
Miscellaneous	51,624	-	-	-
Total other governmental units	1,919,974	2,372,908	2,400,585	2,368,429
Local Sources				
Property taxes	20,004,566	21,734,503	27,749,132	29,914,833
Food service fund	1,252,260	1,452,753	1,485,503	1,493,099
Athletic fund	157,683	109,835	131,769	270,755
Child care fund	966,637	1,024,753	1,103,582	1,149,906
Interest and other income	2,968,973	1,843,516	5,777,605	6,719,631
Miscellaneous	1,059,396	1,177,139	1,130,549	1,381,112
Total local sources	26,409,515	27,342,499	37,378,140	40,929,336
<b>Total Revenues</b>	\$ 71,632,363	\$ 75,805,133	\$ 90,620,761	\$ 97,365,149

### Governmental Funds Revenues, Last Ten Fiscal Years (modified accrual basis of accounting)

2003	2004	2005	ĺ	2006	2007	200
\$ 1,396,811	\$ 1,731,308	\$ 1,965,096	\$	2,248,909	\$ 2,358,842	\$ 2,356,447
245,310	290,958	318,834		369,885	414,426	417,025
1,642,121	2,022,266	2,283,930		2,618,794	2,773,268	2,773,472
3,361,383	3,444,789	2,404,797		3,274,718	2,844,901	3,392,710
50,887,556	52,386,062	55,802,799		58,574,462	61,290,399	60,883,356
54,248,939	55,830,851	58,207,596		61,849,180	64,135,300	64,276,066
2,261,922	2,363,867	3,588,209		3,945,572	4,306,201	4,534,794
-	-	1,467,659		1,423,930	1,451,189	1,588,006
2,261,922	2,363,867	5,055,868		5,369,502	5,757,390	6,122,800
31,845,964	33,177,818	34,953,951		37,471,965	39,801,807	41,820,434
1,611,502	1,769,919	1,926,275		2,085,938	2,178,885	2,176,043
305,954	353,060	347,570		444,443	408,393	498,290
1,182,427	1,127,826	1,274,540		1,206,722	1,245,260	1,492,250
5,036,892	2,721,326	1,947,835		1,325,604	1,430,870	3,337,570
1,790,837	1,478,302	2,795,856		2,692,269	2,575,788	2,489,560
41,773,576	40,628,251	43,246,027		45,226,941	47,641,003	51,814,15
\$99,926,558	\$ 100,845,235	\$108,793,421	\$ 1	15,064,417	\$ 120,306,961	\$ 124,986,49

				Fiscal
Year ended June 30,	1999	2000	2001	2002
Expenditures				
Instruction	\$ 27,623,874	\$ 30,414,929	\$ 31,196,216	\$ 32,103,664
Student support services	3,191,358	3,619,604	3,795,058	3,836,847
Instructional support services	1,484,586	1,506,310	1,552,500	1,517,616
General administration	450,732	362,573	425,016	409,580
School administration	2,315,220	2,357,210	2,403,796	2,349,695
Business services	9,769,354	10,898,796	10,897,014	10,654,239
Operation and maintenance of plant <sup>a</sup>	-	-	-	-
Student transportation services <sup>a</sup>	-	-	-	-
Central support services	1,251,668	1,566,911	1,666,128	1,424,828
Community services	679,028	714,854	739,074	816,615
Payments to other governmental units <sup>c</sup>	100,317	397,607	944,506	841,525
Food service fund	1,379,972	1,635,356	1,822,665	1,870,651
Athletic fund	1,287,500	1,402,955	1,423,043	1,422,841
Child care fund	1,066,976	1,039,890	1,136,651	1,080,839
Employee benefits <sup>b</sup>	12,231,006	14,165,966	13,642,761	15,908,623
Capital outlay	4,603,942	4,294,224	14,716,780	33,928,326
Debt service				
Principal	3,157,528	3,809,577	6,044,040	6,454,142
Interest and other	6,273,075	5,307,111	8,061,646	11,798,963
Total Expenditures	\$ 76,866,136	\$ 83,493,873	\$ 100,466,894	\$ 126,418,994
Debt Service as a Percentage of				
Noncapital Expenditures	13.1%	11.5%	16.4%	19.7%

#### **Notes:**

<sup>&</sup>lt;sup>a</sup> Expenses are included in business services for fiscal years 1999 through 2003.

<sup>&</sup>lt;sup>b</sup> Employee benefits expenses are reported separately for fiscal years 1999 through 2003.

<sup>&</sup>lt;sup>c</sup> As required by the Michigan Public Schools Accounting Manual, payments to other public schools are recorded in the related expenditure category beginning in fiscal year 2007.

Governmental Funds Expenditures and Debt Service Ratio Last Ten Fiscal Years (modified accrual basis of accounting)

2003	2004	2005	2006	2007	2008
\$ 33,312,236	\$ 48,873,813	\$ 53,490,646	\$ 53,860,799	\$ 57,000,954	\$ 58,455,293
3,905,281	5,591,376	3,923,566	3,423,582	6,655,840	6,910,333
1,523,189	1,709,004	2,292,741	2,410,179	2,730,506	2,802,795
454,974	589,067	689,549	916,313	691,772	771,053
2,501,456	4,066,368	4,721,789	4,943,901	5,310,773	5,386,619
11,295,187	1,604,235	1,587,963	1,627,133	1,858,421	1,497,971
-	8,515,158	9,268,274	9,469,849	10,001,120	9,393,661
-	3,859,527	3,829,897	3,593,777	5,187,786	5,500,750
1,938,150	2,087,622	1,912,325	1,933,332	1,969,122	1,911,914
855,215	1,452,608	1,696,850	1,794,247	1,767,649	1,813,913
866,047	1,852,465	4,404,287	4,661,747	-	-
1,849,230	2,072,870	2,295,842	2,370,220	2,516,691	2,543,291
1,430,232	1,439,669	2,012,773	1,981,950	2,098,701	2,157,805
1,150,454	1,202,643	1,226,660	1,250,879	1,265,680	1,405,906
17,248,885	-	-	-	_	-
46,321,304	36,193,544	26,578,707	6,589,745	4,407,619	4,769,786
6,884,748	7,012,395	6,834,892	10,470,000	8,765,000	9,840,000
10,980,565	11,151,725	11,902,561	8,519,459	9,151,253	10,467,713
\$142,517,153	\$ 139,274,089	\$ 138,669,322	\$119,817,112	\$ 121,378,887	\$ 125,628,803
18.6%	17.6%	16.7%	16.8%	15.3%	16.89

				Fiscal
Year ended June 30,	1999	2000	2001	2002
<b>Deficiency of Revenues Over Expenditures</b>	\$ (5,233,773)	\$(7,688,740)	\$ (9,846,133)	\$ (29,053,845)
Other Financing Sources (Uses)				
Issuance of bonds	35,810,000	-	122,600,000	10,435,000
Premium on bonds issued	-	-	-	393,608
Discount on bonds issued	-	-	-	(78,329)
Payment to escrow agent	(36,182,844)	-	-	(10,682,765)
Proceeds from sale of capital assets	15,520	6,017	9,197	6,643
Transfers in	1,138,400	1,304,400	2,395,641	1,268,061
Transfers out	(1,138,400)	(1,304,400)	(2,395,641)	(1,268,061)
<b>Total Other Financing Sources (Uses)</b>	(357,324)	6,017	122,609,197	74,157
Net Change in Fund Balances	\$ (5,591,097)	\$(7,682,723)	\$ 112,763,064	\$ (28,979,688)

Other Financing Sources (Uses) and Net Change in Fund Balances, Governmental Funds, Last Ten Fiscal Years (modified accrual basis of accounting)

Year					
2003	2004	2005	2006	2007	2008
\$ (42,590,595)	\$ (38,428,854)	\$ (29,875,901)	\$ (4,752,695)	\$ (1,071,926)	\$ (642,312)
-	28,800,000	-	103,730,000	46,800,000	-
-	-	-	8,078,770	1,831,565	-
-	(31,876)	-	-	-	-
-	-	-	(111,295,967)	-	-
9,795	595,933	51,663	57,264	87,001	48,411
1,891,126	1,090,000	3,651,999	2,143,904	1,770,000	1,770,000
(1,891,126)	(1,090,000)	(3,651,999)	(2,143,904)	(1,770,000)	(1,770,000)
9,795	29,364,057	51,663	570,067	48,718,566	48,411
\$ (42,580,800)	\$ (9,064,797)	\$ (29,824,238)	\$ (4,182,628)	\$ 47,646,640	\$ (593,901)

Tax Year	Fiscal Year	Estimated Market Value	State Equalized Value
1998	1998-1999	\$3,543,561,294	\$1,771,780,647
1999	1999-2000	3,910,522,726	1,955,261,363
2000	2000-2001	4,187,650,222	2,093,825,111
2001	2001-2002	4,542,424,370	2,271,212,185
2002	2002-2003	4,873,518,918	2,436,759,459
2003	2003-2004	5,196,373,400	2,598,186,700
2004	2004-2005	5,520,371,516	2,760,185,758
2005	2005-2006	5,909,461,000	2,954,730,500
2006	2006-2007	6,277,433,400	3,138,716,700
2007	2007-2008	6,592,105,052	3,296,052,526

Source: County Equalization Department

**Notes:** State Equalized Value is estimated at 50% of market value. Taxable Value is basis for tax levy. Annual growth for property limited to 5% or inflation whichever is less. Other millage includes Recreation millage from 2004 to present. Operating millage applied only against Non-Homestead property. All other taxes applied against total Taxable Value.

Taxable Value and Actual Value of Taxable Property Last Ten Fiscal Years (rate per \$1,000 of assessed value)

		Taxable Value		Direct Tax Rates			
1	Non-Homestead Property	Homestead Property	Total	Operating	Debt	Other	Total
\$	659,514,643	\$1,019,098,569	\$ 1,678,613,212	\$17.9946	\$4.7000	\$ -	\$22.6946
Ψ	711,737,416	1,101,806,137	1,813,543,553	17.9424	4.7000	Ψ -	22.6424
	726,194,031	1,202,762,500	1,928,956,531	17.9424	7.6000	_	25.5424
	767,617,116	1,324,619,831	2,092,236,947	17.9424	7.6000	-	25.5424
	811,674,677	1,436,726,754	2,248,401,431	17.9424	7.6000	=	25.5424
	837,730,168	1,531,147,564	2,368,877,732	17.9424	7.6000	-	25.5424
	880,092,728	1,638,653,713	2,518,746,441	17.9424	6.6000	1.0000	25.5424
	937,800,437	1,753,621,974	2,691,422,411	17.9424	6.6000	1.0000	25.5424
	1,021,233,271	1,873,802,745	2,895,036,016	18.0000	6.3000	1.0000	25.3000
	1,083,039,680	1,967,536,001	3,050,575,681	18.0000	6.3000	1.0000	25.3000

	Fiscal		Direct T	ax Rates		
Tax Year	Year	Operating	Debt	Other	Total	
1998	1998-1999	\$17.9946	\$ 4.7000	\$ -	\$22.6946	
1999	1999-2000	17.9424	4.7000	-	22.6424	
2000	2000-2001	17.9424	7.6000	-	25.5424	
2001	2001-2002	17.9424	7.6000	-	25.5424	
2002	2002-2003	17.9424	7.6000	-	25.5424	
2003	2003-2004	17.9424	7.6000	-	25.5424	
2004	2004-2005	17.9424	6.6000	1.0000	25.5424	
2005	2005-2006	17.9424	6.6000	1.0000	25.5424	
2006	2006-2007	18.0000	6.3000	1.0000	25.3000	
2007	2007-2008	18.0000	6.3000	1.0000	25.3000	

Source: County Equalization Department

**Note:** Other millage includes Recreation millage from 2004 to present. Operating millage applied only against Non-Homestead property. All other taxes applied against total Taxable Value.

Direct and Overlapping Property Tax Rates Last Ten Fiscal Years (rate per \$1,000 of assessed value)

Overlapping Rates							
			Grand	City	City		
Ada	Cannon	Cascade	Rapids	of Grand	of		
Township	Township	Township	Township	Rapids	Kentwood		
\$ 2.3100	\$ 1.9300	\$ 3.0900	\$ 1.6700	\$ 8.1700	\$ 5.5500		
2.2600	1.8900	3.0900	1.5000	8.1600	7.5300		
2.2000	1.8700	2.9700	1.6600	8.1300	7.5300		
2.0200	1.0500	3.0800	1.6000	8.0700	7.3400		
2.6200	2.2900	2.9700	1.6000	8.0400	7.5300		
2.4630	2.2552	2.9698	1.5995	7.9740	7.5318		
2.4621	2.1941	3.5498	1.5995	8.1517	7.5318		
2.5574	2.1679	3.5498	1.5995	8.1223	7.5318		
2.7136	2.1561	3.5498	1.5995	8.1217	7.5318		
 3.0508	2.1546	3.5498	1.5995	8.2413	7.5061		

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### Principal Property Taxpayers Current Year and Nine Years Ago

Year ended June 30,			2008				
Taxpayer		Taxable Value	Rank	Percentage of Total Taxable Value	Taxable Value	Rank	Percentage of Total Taxable Value
Amway Corporation	\$	68,987,972	1	2.26%	\$ 153,298,24	18 1	9.11%
Access Business Group LLC		40,587,700	2	1.33%		-	_
Meijer Inc.		20,904,330	3	0.69%	12,878,82	23 4	0.77%
JVA Enterprises Limited Partners		17,794,631	4	0.58%	15,956,80	07 2	0.95%
Consumers Energy		16,359,591	5	0.54%		-	_
Smiths Aerospace		14,855,200	6	0.49%		-	_
Alticor Incorporated		14,159,800	7	0.46%		-	-
Fifth Third Bank		13,874,275	8	0.45%		-	-
Ada Cogeneration LP		13,115,380	9	0.43%	12,346,32	25 5	0.73%
Porter Hills Presbyterian Village		13,052,820	10	0.43%	10,338,40	00 6	0.61%
Old Kent Bank & Trust Co.		-		-	13,549,53	37 3	0.81%
Micheon		-		-	9,774,28	36 7	0.58%
Cascade Engineering, Inc.		-		-	9,580,07	76 8	0.57%
Robert Grooters Development		-		-	6,132,40	00 9	0.36%
Eenhoorn-Horizon Office		-		-	5,668,54	18 10	0.34%
Total principal taxpayers		233,691,699		7.66%	96,225,20	)2	14.83%
Balance of valuations	2	,816,883,982		92.34%	1,586,773,39	98	85.17%
Total Taxable Valuation	\$3	,050,575,681		100.00%	\$1,682,998,60	00	100.00%

Sources: Kent County Department of Equalization and local cities and municipalities treasurer's offices.

### **Property Tax Levies and Collections**Last Ten Fiscal Years

		Taxes Levied	Collected within the Fiscal Year of the Levy		Collections (Refunds) in	Total Collection	ons to Date
	Fiscal	for the		Percentage	Subsequent		Percentage
Tax Year	Year	Fiscal Year	Amount	of Levy	Years	Amount	of Levy
1998	1998-1999	\$ 19,872,490	\$ 19,815,881	99.72%	\$ 19,306	\$ 19,835,187	99.81%
1999	1999-2000	21,490,095	21,483,317	99.97%	91,014	21,574,331	100.39%
2000	2000-2001	27,831,051	27,696,586	99.52%	188,364	27,884,950	100.19%
2001	2001-2002	29,718,740	29,618,226	99.66%	68,157	29,686,383	99.89%
2002	2002-2003	31,766,588	31,378,047	98.78%	37,186	31,415,233	98.89%
2003	2003-2004	33,130,618	32,895,414	99.29%	353,883	33,249,297	100.36%
2004	2004-2005	34,933,449	34,869,844	99.82%	(1,850)	34,867,994	99.81%
2005	2005-2006	37,281,201	37,234,847	99.88%	42,199	37,277,046	99.99%
2006	2006-2007	39,515,962	39,465,382	99.87%	63,170	39,528,552	100.03%
2007	2007-2008	41,763,917	41,688,781	99.82%	-	41,688,781	99.82%

**Sources:** Kent County Equalization Department and District records

### Outstanding Debt by Type Last Ten Fiscal Years

Tax Year	Fiscal Year		Outstanding Debt	Total Taxable Value	Outstanding Debt as a % of Taxable Value	Estimated Population		tstanding Debt er Capita	Taxable Value Per Capita
1998	1998-1999	\$	84.439.794	\$1.678.613.212	5.03%	36,428	\$	2.318	\$ 46,080
1999	1999-2000	_	80,630,217	1,813,543,553	4.45%	37,277	_	2,163	48,650
2000	2000-2001		196,886,177	1,928,956,531	10.21%	38,126		5,164	50,594
2001	2001-2002		190,667,323	2,092,236,947	9.11%	38,975		4,892	53,682
2002	2002-2003		183,322,287	2,248,401,431	8.15%	39,824		4,603	56,458
2003	2003-2004		205,169,892	2,368,877,732	8.66%	40,674		5,044	58,241
2004	2004-2005		198,395,000	2,518,746,441	7.88%	41,523		4,778	60,659
2005	2005-2006		188,015,000	2,691,422,411	6.99%	42,372		4,437	63,519
2006	2006-2007		226,050,000	2,895,036,016	7.81%	43,221		5,230	66,982
2007	2007-2008		216,210,000	3,050,575,681	7.09%	44,070		4,906	69,221

Sources: Kent County Equalization Department, Census Bureau estimates and District records

**Note:** All outstanding debt is general obligation-unlimited tax debt.

### Direct and Overlapping Governmental Activities Debt As of June 30, 2008

					Estimated
				Estimated.	Share of
	D.L.			Estimated	Direct and
	Debt	TD 4.1	I D' ( ' (	Percentage	Overlapping
Governmental Unit	Outstanding	Total	In District	Applicable	Debt
Ada Township	\$ 4,405,000	\$ 885,946,076	\$ 791,441,704	89.33%	\$ 3,934,987
Cannon Township	· · · · -	550,521,072	3,449,910	0.63%	-
Cascade Township	9,158,000	1,459,986,464	1,242,561,737	85.11%	7,794,374
Grand Rapids Township	-	862,462,556	768,221,328	89.07%	-
City of Grand Rapids	121,147,089	4,941,321,799	51,967,696	1.05%	1,272,044
City of Kentwood	18,485,000	2,058,262,394	195,916,196	9.52%	1,759,772
Kent County	157,499,300	21,325,454,329	3,053,558,571	14.32%	22,553,900
Grand Rapids Community College	47,445,000	21,873,628,732	3,053,558,571	13.96%	6,623,322
Subtotal, overlapping debt					43,938,399
District Direct Debt					216,210,000
District Direct Debt					210,210,000
Total Direct and Overlapping Debt					\$ 260,148,399

**Sources:** Kent County Equalization Department and Municipal Advisory Council of Michigan. Debt provided by each governmental unit.

Legal Debt Margin Information, Last Ten Fiscal Years (dollars in thousands)

State Equalized Valuation (SEV), July 1, 2007 \$ 3,296,052,526 Statutory Debt Limit (15% of SEV) 494,407,879 Debt applicable to limit 216,210,000

**Legal Debt Margin** \$ 278,197,879

Tax Year	Fiscal Year	State Equalized Value (SEV)	Statutory Debt Limit 15% of SEV	Debt Subject to Debt Limit	Legal Debt Margin	Debt as a Percentage of Debt Limit
1998	1998-1999	\$1,771,780,647	\$ 265,767,097	\$ 84,439,794	\$ 181,327,303	31.77%
1999	1999-2000	1,955,261,363	293,289,204	71,585,217	221,703,987	24.41%
2000	2000-2001	2,093,525,111	314,073,767	189,751,177	124,322,590	60.42%
2001	2001-2002	2,271,212,185	340,681,828	184,957,035	155,724,793	54.29%
2002	2002-2003	2,436,759,459	365,513,919	179,977,287	185,536,632	49.24%
2003	2003-2004	2,598,186,700	389,728,005	203,034,892	186,693,113	52.10%
2004	2004-2005	2,760,185,758	414,027,864	197,445,000	216,582,864	47.69%
2005	2005-2006	2,954,730,500	443,209,575	188,015,000	255,194,575	42.42%
2006	2006-2007	3,138,716,700	470,807,505	226,050,000	244,757,505	48.01%
2007	2007-2008	3,296,052,526	494,407,879	216,210,000	278,197,879	43.73%

Source: Kent County Equalization Department

Notes: Personal Income data is located in the Demographic and Economic Statistics table.

### **Demographic and Economic Statistics Last Ten Calendar Years**

			Unemploymer	nt <sup>b</sup>		Personal In	come <sup>d</sup>
	Estimated	City of Grand	County of	State of	Inflation		Per
Calendar Year	Population <sup>a</sup>	Rapids	Kent	Michigan	Rate <sup>c</sup>	Total	Capita
1998	36.428	4.1%	2.9%	3.8%	1.6%	\$ 18,656,627	\$25,717
1999	37,277	4.4%	3.1%	3.8%	1.9%	19,547,808	26,638
2000	38,126	4.4%	3.1%	3.4%	3.2%	20,818,408	28,022
2001	38,975	7.0%	5.0%	5.0%	3.2%	21,581,116	28,763
2002	39,824	8.6%	6.2%	6.1%	1.5%	21,821,228	28,841
2003	40,674	10.4%	7.5%	7.0%	2.3%	22,522,129	29,589
2004	41,523	9.7%	7.0%	7.1%	2.3%	23,510,709	30,730
2005	42,372	6.9%	7.2%	8.7%	3.3%	24,593,127	31,966
2006	43,221	5.8%	5.6%	6.9%	3.7%	25,635,414	33,172
2007	44,070	6.2%	5.9%	7.2%	2.3%	N/A	N/A

**Notes:** N/A = not available <sup>a</sup> U.S. Census and estimated

<sup>&</sup>lt;sup>b</sup> Michigan Employment Security Agency and Bureau of Labor Statistics

<sup>&</sup>lt;sup>c</sup> Consumer Price Index All Urban Consumers, Michigan Department of Education

<sup>&</sup>lt;sup>d</sup> U.S. Census Bureau and U.S. Department of Commerce, Bureau of Economic Analysis. Total Personal Income reported in thousands.

### Principal Employers in West Michigan Current Year and 2005

		2007			2005	
			Percentage			Percentage
			of Total			of Total
Employer	Employees	Rank	Employment	Employees	Rank	Employment
Spectrum Health	14,308	1	2.3%	12,000	1	2.0%
Meijer Inc.	8,290	2	1.3%	8,441	2	1.4%
Steelcase Inc.	5,000	3	0.8%	5,000	3	0.9%
Spartan Stores, Inc.	4,605	4	0.7%	3,040	9	0.5%
Herman Miller Inc.	4,300	5	0.7%	2,545	12	0.4%
Axios Incorporated	4,100	6	0.7%	4,000	6	0.7%
Access Business Group/Alticor Inc.	4,000	7	0.6%	3,900	7	0.7%
Wal-Mart Stores Inc.	3,515	8	0.6%	-		-
Grand Rapids Public Schools	2,885	9	0.5%	3,392	8	0.6%
Gentex Corporation	2,674	10	0.4%	-		_
Saint Mary's Health Care	2,635	11	0.4%	2,500	15	0.4%
City of Grand Rapids	2,601	12	0.4%	-		-
General Motors Corp.	2,500	13	0.4%	2,500	13	0.4%
Perrigo Company	2,500	14	0.4%	2,500	14	0.4%
Farmers/Foremost Insurance Group	2,500	15	0.4%	-		-
Johnson Controls	-		-	4,531	4	0.8%
Magna Donnelly	-		-	4,225	5	0.7%
Haworth Inc.	-		-	3,000	10	0.5%
Grand Valley State University	-		-	2,645	11	0.5%
<b>Total Principal Employers</b>	66,413		10.8%	64,219		10.9%
Total Employment Base	616,170			587,188		

Source: The Right Place Inc. of Greater Grand Rapids

#### Notes:

The West Michigan principal employer list includes company locations in the Grand Rapids Consolidated Statistical Area (Kent, Ottawa, Muskegon, Allegan, Barry, Ionia, and Newaygo Counties). Companies report their numbers as of the fourth quarter of the respective year.

Some companies will not provide the employment numbers, so Dun & Bradstreet employment numbers are used.

Number of employees includes both full-time and part-time workers.

Comparative data from ten years earlier was not available. The earliest comparative data provided is from 2005. 2007 is the most current data available.

### Full-Time-Equivalent District Employees by Type Last Nine Fiscal Years

	Full-Time-Equivalent Employees as of June 30,								
Employee Category	2000	2001	2002	2003	2004	2005	2006	2007	2008
Administrators	30	30	30	30	32	32	34	39	40
Teachers	560	566	566	569	591	597	576	630	642
Clerical/secretarial <sup>a</sup>	172	155	160	159	166	166	149	97	97
Instructional aides <sup>a</sup>	175	193	163	170	156	149	129	148	165
Maintenance/custodial/food service	108	112	116	115	118	121	111	121	127
Transportation	95	93	99	99	79	71	60	67	67
Daycare <sup>a</sup>	-	-	-	-	-	-	-	27	27
Non-classified/other <sup>a</sup>	22	24	23	22	27	27	25	45	45
Total	1,162	1,173	1,157	1,164	1,169	1,163	1,084	1,174	1,210

**Source:** 2007 and 2008 data provided by Michigan Department of Education Registry of Educational Personnel. 2006 and prior data provided by District records.

<sup>&</sup>lt;sup>a</sup> Employee categories were reclassified in fiscal year 2007 and 2008 in accordance with the Michigan Department of Education Registry of Educational Personnel.

Operating Statistics Last Ten Fiscal Years

Fiscal Year	Enrollment <sup>a</sup>	Percent Change	Operating Expenditures <sup>b</sup>	Percent Change		Cost Per Student	Percent Change	Percent of Students Receiving Free or Reduced- Price Meals <sup>c</sup>
1998-1999	7.689	3.44%	\$ 62,189,700	8.64%	\$	8,088	5.03%	2.60%
1999-2000	8,025	4.37%	69,282,251	11.40%	Ψ	8,633	6.74%	3.30%
2000-2001	8,253	2.84%	70,486,471	1.74%		8,541	-1.07%	3.90%
2001-2002	8,444	2.31%	71,676,804	1.69%		8,488	-0.62%	3.50%
2002-2003	8,630	2.20%	75,807,067	5.76%		8,784	3.49%	4.00%
2003-2004	8,935	3.53%	81,471,810	7.47%		9,118	3.80%	5.10%
2004-2005	9,352	4.67%	89,240,255	9.54%		9,542	4.65%	6.60%
2005-2006	9,733	4.07%	90,426,874	1.33%		9,291	-2.63%	8.60%
2006-2007	9,966	2.39%	94,715,111	4.74%		9,504	2.29%	8.80%
2007-2008	10,010	0.44%	96,144,302	1.51%		9,605	1.06%	7.40%

#### **Sources:**

<sup>&</sup>lt;sup>a</sup> District enrollment records audited by Intermediate School District

<sup>&</sup>lt;sup>b</sup> District financial statements as audited

<sup>&</sup>lt;sup>c</sup> State of Michigan Center for Educational Performance and Information (CEPI)

### **School Building Information**

Site	Grade Configuration	Acreage	Date Originally Constructed	Additions	Square Feet
Ada Elementary	K-4	17.37	1968	1992, 2003	62,373
•					
Collins Elementary	K-4	13.40	1954	1991	60,985
Meadow Brook Elementary	K-4	34.21	1992	1996	85,720
Pine Ridge Elementary	K-4	26.20	1975	1991, 2002	61,750
Thornapple Elementary	K-4	10.12	1959	1996, 2002	53,865
Ada Vista Elementary	K-6	9.00	1971	2003, 2004	48,623
Knapp Forest Elementary	K-6	11.00	2003	2004	96,654
Orchard View Elementary	K-6	12.97	1959	1991, 1996, 2002, 2004	65,946
Central Woodlands	5-6	67.98	1997	2004	85,678
Goodwillie Environmental	5-6	18.00	2000	2004	11,786
Northern Trails	5-6	36.10	1997	2004	85,678
Central Middle	7-8	40.00	1965	1990, 2002, 2004	132,058
Northern Hills Middle	7-8	34.62	1977	1990, 2002, 2004	112,012
Eastern High/Middle	7-12	115.00	2004	2005	293,750
Central High	9-12	66.00	1956	1990, 1995, 2003, 2004	259,356
Northern High	9-12	54.62	1972	1990, 1995, 2003, 2004	240,135
Alternative Pathways High	9-12		2000		4,941
Transitions			2005		3,500

### **School Building Information**

Site	Grade Configuration	Acreage	Date Originally Constructed	Additions	Square Feet
Administration Building		10.02	1951		23,268
Community and Aquatic Center		18.69	1990		37,900
Fine Arts Center		28.04	2004		61,850
Operations/Food Service		6.178	2000		12,438
Buildings and Grounds			1970		9,000
Transportation			1999		12,000
Student Services			1966		2,772
A.C.E. Building		0.32	approx. 1865		950
2 Mile Road Property 8400 2 Mile Road, SE		28.00			
Alta Dale Property 110-120 Alta Dale, SE		2.77			
Buttrick Property 2280 Buttrick, SE		59.00			
Fulton - Spaulding Property		7.34			
Hall Street Properties 6025 Hall 6039 Hall 6081 Hall 6111 Hall		1.82 1.10 3.00 2.20			
Honey Creek Property 520 Honey Creek, NE		14.55			
Crew Building/Property		2.50			

Source: District records

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### **Forest Hills Public Schools**

## Additional Reports Required by OMB Circular A-133

Year Ended June 30, 2008



### **Forest Hills Public Schools**

Additional Reports Required by OMB Circular A-133

Year Ended June 30, 2008

### **Forest Hills Public Schools**

### Contents

Report on Internal Control Over Financial Reporting	
and on Compliance and Other Matters Based	
on an Audit of Financial Statements Performed	
in Accordance With Government Auditing Standards	4-5
Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in	
Accordance With OMB Circular A-133	7-8
Schedule of Expenditures of Federal Awards	10-11
Note to Schedule of Expenditures of Federal Awards	13
Schedule of Findings and Questioned Costs	15
Summary Schedule of Prior Year Findings	16

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

99 Monroe Avenue N.W., Suite 800 Grand Rapids, Michigan 49503-2654 Telephone: (616) 774-7000 Fax: (616) 776-3680

#### **Independent Auditors' Report**

Board of Education Forest Hills Public Schools Grand Rapids, Michigan

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Forest Hills Public Schools (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 5, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be

material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Forest Hills Public Schools' basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of the District, in a separate letter dated September 5, 2008.

This report is intended solely for the information and use of the Board of Education, management, others within the District, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Grand Rapids, Michigan

BDO Seedma, LLP

September 5, 2008

Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133



99 Monroe Avenue N.W., Suite 800 Grand Rapids, Michigan 49503-2654 Telephone: (616) 774-7000 Fax: (616) 776-3680

### **Independent Auditors' Report**

Board of Education Forest Hills Public Schools Grand Rapids, Michigan

### **Compliance**

We have audited the compliance of Forest Hills Public Schools (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, Forest Hills Public Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

### Internal Control Over Compliance

The management of Forest Hills Public Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of

internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Forest Hills Public Schools as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 5, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education, management, others within the District, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Grand Rapids, Michigan

BDO Seedma, LLP

September 5, 2008

# Schedule of Expenditures of Federal Awards

	Federal CFDA	Program or Award	Prior Year Expenditures (memorandum
Year ended June 30, 2008	Number	Amount	only)
Federal Grantor Pass-Through Grantor Program/Project Number			
U.S. Department of Education			
Direct Funds:			
Elementary Foreign Language Program	84.293		
T293B040067		\$ 150,852	\$ 73,125
Passed through Michigan Department of Education:			
Title I	84.010		
071530-0607		207,570	207,570
081530-0708		259,062	<u>-</u>
Title III English Language	84.365		
060580-0607		3,969	3,969
070580-0607		22,163	18,303
080580-0708		35,354	<u>-</u>
Title V	84.298		
080250-0708		2,035	-
Title IIA Improving Teachers	84.367		
070520-0607		158,137	68,008
080520-0708		162,167	-
Title IID - Technology Literacy	84.318		
084290-0708		2,419	-
IDEA, Part B - Service Provider Self-Review	84.027		
		5,500	4,604

# **Schedule of Expenditures of Federal Awards**

Accrued (Deferred) Revenue at July 1, 2007	Adjustments	Current Year Receipts	Current Year Expenditures	Accrued (Deferred) Revenue at June 30, 2008
\$ 73,123	\$ -	\$ 73,123	\$ -	\$ -
544	- -	544 259,062	259,062	- -
544		259,606	259,062	
3,414	- - -	3,414 2,827 22,503	2,796 29,009	6,506
 3,445	-	28,744	31,805	6,506
-	-	2,035	2,035	-
180	- -	13,283 77,234	13,103 132,827	55,593
180	-	90,517	145,930	55,593
-	-	2,419	2,419	
3,834		3,834	<u>-</u>	
8,003	-	387,155	441,251	62,099

Year ended June 30, 2008	Federal CFDA Number	Program or Award Amount	Prior Year Expenditures (memorandum only)
Federal Grantor Pass-Through Grantor Program/Project Number			
Passed through Kent Intermediate School District:			
Safe and Drug Free Schools	84.186		
082860-0708		\$ 17,692	\$ -
IDEA - Preschool Incentive	84.173		
070460-0607		60,065	54,468
080460-0708		58,772	-
IDEA - Flow Through	84.027		
070450-0607		1,757,676	1,729,588
080450-0708		1,789,793	-
IDEA - Transition	84.027		
080490-TS	01.027	1,483	-
Total passed through Kent Intermediate School District		· · · · · · · · · · · · · · · · · · ·	
Total U.S. Department of Education			
U.S. Department of Health and Human Services			
Passed through Kent Intermediate School District:			
Medicaid Outreach-Fee for Service 2006-2007	93.778	5,670	5,670
Medicaid Outreach-Fee for Service 2007-2008	93.778	7,386	
Total U.S. Department of Health and Human Services			
U.S. Department of Agriculture			_
Passed through Michigan Department of Education:			
Child Care Food 2006-2007	10.558	5,145	4,231
Child Care Food 2007-2008	10.558	6,022	-
Special Milk	10.556	12,750	-
National School Lunch	10.555	296,452	-
Commodities - Entitlement 2006-2007	10.550	85,109	82,714
Commodities - Entitlement 2007-2008	10.550	107,432	-
Total U.S. Department of Agriculture			
<b>Total Federal Financial Assistance</b>		 	

# **Schedule of Expenditures of Federal Awards**

Accrued (Deferred) Revenue at July 1, 2007	Adjustments	Current Year Receipts	Current Year Expenditures	Jı	Accrued (Deferred) Revenue at une 30, 2008
\$ -	\$ -	\$ 17,285	\$ 17,285	\$	-
21,966	-	24,823 30,997	5,597 58,772		2,740 27,775
712,672	-	733,382 1,021,024	28,088 1,789,793		7,378 768,769
	-	1,483	1,483		
734,638	-	1,828,994	1,901,018		806,662
815,764	-	2,289,272	2,342,269		868,761
5,670	-	5,670	7,386		7,386
5,670	-	5,670	7,386		7,386
914	-	1,684	770		- 021
-	-	5,091 12,750	6,022 12,750		931
- -	-	296,452	296,452		- -
(1,129)	-	-,	1,129		-
	-	107,432	106,694		(738)
(215)	-	423,409	423,817		193
\$ 821,219	\$ -	\$ 2,718,351	\$ 2,773,472	\$	876,340

# Note to Schedule of Expenditures of Federal Awards

### Note to Schedule of Expenditures of Federal Awards

### 1. General

Expenditures are recorded under the modified accrual basis of accounting. Revenues are recognized when the qualifying expenditures have been incurred and all other grant requirements have been met.

Expenditures in this schedule reconcile with amounts reported in the basic financial statements and financial reports. Amounts reported in the Grant Section Auditors' Report reconcile with this schedule. Inventory values are based on the USDA value for donated food commodities and include spoilage.

# **Schedule of Findings** and Questioned Costs

# Schedule of Findings and Questioned Costs Year Ended June 30, 2008

### Section I - Summary of Auditors' Results

#### Financial Statements

Type of auditors' report issued: unqualified

Internal control over financial reporting:

Material weakness(es) identified?

Significant deficiency(ies) identified that are not considered to be material weakness(es)?

none reported

Noncompliance material to financial statements noted?

no

#### Federal Awards

Internal control over major programs:

Material weakness(es) identified?

no

Significant deficiency(ies) identified that are not considered to be material weakness(es)?

none reported

Type of auditors' report issued on compliance for major programs:

unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of *OMB Circular A-133*?

no

Identification of major programs:

CFDA Number Name of Federal Program or Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

84.027 and 84.173 Special Education Cluster (IDEA)

\$ 300,000

Auditee qualified as low-risk auditee?

yes

### **Section II - Findings Related to the Financial Statements**

There were no findings which are required to be reported under Government Auditing Standards.

### **Section III - Findings and Questioned Costs Federal Award**

There were no findings or questioned costs.

# Summary Schedule of Prior Year Findings Year Ended June 30, 2008

# **Findings Related to Basic Financial Statements**

Finding Number	Finding	Comments
2007-1	Capital expenditures of \$1.9 million were recorded in the Capital Projects Fund for buses that were purchased during 2007. The buses purchased were properly reflected in the fund financial statements; however, the initial district-wide statements provided to the auditor did not reflect the buses as a capital asset.	Finding has been resolved.

99 Monroe Avenue N.W., Suite 800 Grand Rapids, Michigan 49503-2654 Telephone: (616) 774-7000 Fax: (616) 776-3680

September 5, 2008

Members of the Board of Education Forest Hills Public Schools 6590 Cascade Road SE Grand Rapids, Michigan 49546

Dear Members of the Board:

In connection with our audit of the basic financial statements of Forest Hills Public Schools (the District) for the year ended June 30, 2008, we reviewed significant accounting policies and procedures and certain business, financial and administrative practices for the purpose of determining the nature, timing and scope of our audit. The comments that follow are intended to provide you with current information related to governmental accounting and reporting standards and laws and regulations.

### **New Pronouncements**

There are several new pronouncements that have been issued by the Governmental Accounting Standards Board (GASB) that will affect future annual financial reports issued by the District. A brief summary of these new pronouncements is listed below:

**GASB Statement No. 49,** Accounting and Financial Reporting for Pollution Remediation Obligations, discusses how to identify and report pollution remediation obligations. Examples include water pollution, brownfield remediation and asbestos removal, but not landfill closure costs. The pronouncement identifies five obligating events which could trigger recording a liability. The liability would include pre-cleanup, cleanup activities, oversight and enforcement activities. A liability is required to be reported once it is possible to reasonably estimate the liability, regardless of whether it is probable that it will be paid. The pronouncement will be effective for the year ending June 30, 2009.

GASB Statement No. 51, Accounting and Reporting for Intangible Assets, requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Goodwill is specifically excluded. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. Examples of assets that may be considered intangible assets include easements, water rights, timber rights, patents, trademarks, and computer software. There are special rules for internally generated software. This pronouncement will be effective for the year ending June 30, 2010.

**GASB Statement No. 52,** Land and Other Real Estate Held as Investments by Endowments, Requires land and real estate held by endowments to be reported at fair value with changes in fair value reported as investment income. This pronouncement will be effective for the year ending June 30, 2009. Unless an endowment is established, this will have no effect on the financial reporting of the District.

**GASB Statement No. 53,** Accounting and Financial Reporting for Derivative Instruments, requires that derivatives be recognized and measured at fair value with changes recognized as investment income. Hedges must be evaluated for effectiveness. Examples of derivatives are interest rate locks or interest rate swaps. The approach is similar to private sector accounting and reporting. This pronouncement will be effective for the year ending June 30, 2010.

**GASB Invitation to Comment,** Fund Balance Reporting and Governmental Fund Type Definitions, attempts to clarify the availability of resources in funds other than the General Fund and define what is meant by "legally restricted." The pronouncement would clarify the fund balance classifications and eliminate the reserved fund balance category. The new categories would be spendable and nonspendable, with the spendable category being further broken down into four sub-categories: restricted, limited, assigned and unassigned.

\* \* \* \* \*

We appreciate the outstanding cooperation received from you and your staff during our audit of the District's financial statements. We are proud to be associated with you and your organization and look forward to many more years of service to Forest Hills Public Schools.

Very truly yours,

BDO Serdman, LLP